COVER

SEPTEMBER 2021 ISSUE

INSURTECH

THINK AGAIN..

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BECAUSE RENASA HAS LIQUIDSURE, THE MOST COMPELLING CONVENIENT SOLUTION FOR BROKERS WHO WANT TO GROW THEIR BUSINESS WITH SMME'S, ARCHIE.

MAIN STORIES

CYBER - THE BIG BAD WOLF

Risk in the cyber environment has been escalating year on year for decades but the escalation over the past few years has put everyone on edge. The intensity and severity of attacks have increased significantly, and the vulnerability of systems and platforms exposed with the move to remote working. Our guest contributors unpack.

INSURTECH - THINK AGAIN

We had two fantastic days unpacking the new world of technology in insurance. We questioned every aspect of our new strategies and innovations with technology in the industry with some exciting new ideas coming to light. A must read.

COACHING FOR RETIREMENT

The road to retirement is long, but it arrives quickly, and we need to prepare our clients. With all the uncertainty in our environment and volatility in the markets, we need to ensure our clients stay the course. Read what Martin Riekert, head of Retail Investments at Momentum Investments says about coaching as a solution.

MEANINGFUL TRANSFORMATION

In this fascinating piece, Enid Lizamore, executive head of HR at Santam, shows how businesses that embrace diversity do better in the long term. She highlights some of the challenges woman face in the workplace and provides tips to leveling the playing fields.

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SEPTEMBER 2021

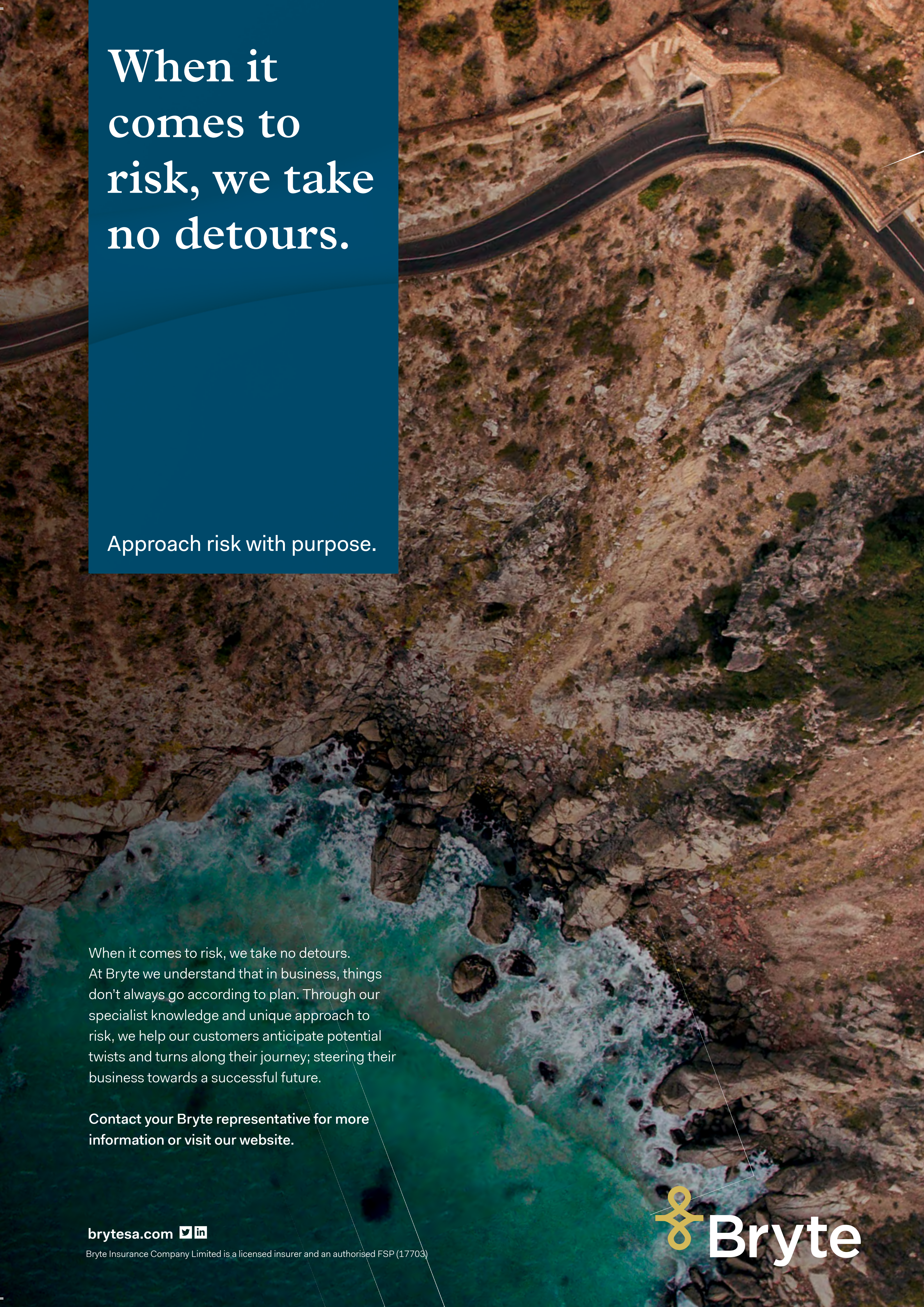
GENERAL

SHORT TERM

FINANCIAL PLANNING

CYBER INSURANCE

INSURTECH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Alive and kicking

Tony van Niekerk, Managing Editor, COVER Publications

Simple Minds penned the lyrics to this song. Although a love song, it rings so true for me during this time. "Stay until your love is alive and kicking" is one of the main lines but soon followed by: "What you gonna do when things go wrong" and "What you gonna do when it all cracks up?"

These words epitomize where we are at in the world and more specifically in South Africa. We live in a time of unrivaled opportunity for self-expression, exploration and personal growth, all of which can be harnessed to add real value to everyone around us.

Never have the uncertainty and volatility been more pronounced but, at the same time, never has the opportunity to manage and mitigate these risks and uncertainties been more available to everyone.

It is in our hands and, dare I say, our mandated mission, to use our knowledge and experience to do just that. As an industry, it is up to us to provide the tools and knowledge for mitigation and managing of risk, allowing everyone to take advantage of the myriad opportunities available to them.

The two features in our September issue clearly illustrates my comments. At Insurtech21 our round table participants stimulated discussions and revealed opportunities in our industry backed by the massive development in the technology environment.

The bottom line is that everyone has access and everyone can compete, we just have to think again. Make sure you read this feature and watch the various recordings from the event.

Our second feature puts a damper on things by exploring the risks posed by rapid technological innovation and, especially a move to remote working.

However, again, these risks have created opportunity for the industry and its various product, service and advice providers, to show their true value.

Think again

If you feel overwhelmed by the uncertainty and all the doom and gloom, think again and explore the opportunities available to you as a result of the challenging environment unfolding around us.

We certainly are alive and kicking!!

SHORT TERM & LOSS ADJUSTING

“Companies have to invest continuously in cyber security at increasingly higher levels.” **- Dr. Thomas Sepp, Chief Claims Officer (AGCS)**

Future loss trends in industrial insurance

Dr. Thomas Sepp, Chief Claims Officer at Allianz Global Corporate & Specialty (AGCS)

One of the world's largest container ships runs aground in the Suez Canal bringing mass disruption, a tragic airplane crash results in a number of fatalities, the operator of an oil pipeline is blackmailed by hackers. Sometimes it seems hardly a day goes by without industrial insurance claims making the headlines.

Such loss events regularly occupy the attention of insurers today, but what about tomorrow? What are the some of the most important claims trends we can expect to see in the future? In addition, to what extent are prevention and risk mitigation possible? As the Chief Claims Officer of AGCS, I am primarily concerned with four future loss trends: the impact of cyber risks and new technology; the growth of social inflation and collective redress; increasing environmental, social and governance (ESG) risks; and, of course, climate change.

1. THREE FACTORS DRIVING CYBER AND TECHNOLOGY RISK

Cyber risk is already very much on the loss agenda of companies and insurers, as the incident of hackers blackmailing the operator of the oil pipeline shows. At AGCS, we saw cyber claims reach their highest level to date last year with just under 1,000 reported claims involving us and other insurers - around 10 times more than four years ago. We expect the cyber risk dynamic to continue to grow strongly, driven by three factors:

Firstly, rapidly advancing digitalization is increasing the exposure: for example, the pandemic-driven shift to remote working has caused cybercrime to explode. Interconnectedness of supply chains, production networks and business models, the rapid growth of data volumes, the use of cloud technologies, artificial intelligence or cryptocurrencies - all these developments will make companies even more vulnerable to hacker attacks and internal IT mishaps.

Secondly, it is difficult to contain cybercrime: The main cause for concern here is the globally active hacker syndicates, which have long offered crime-as-a-service. In addition, geopolitical tensions are increasing - which plays into the hands of gangs in Russia or China. Without better-equipped cyber-investigation agencies and stronger regulation of cryptocurrency trading, it will be almost impossible to put a stop to the criminals in the Wild West of the Dark Net.

Thirdly, prevention is expensive & demanding: Companies have to invest continuously in cyber security at increasingly higher levels. Many also find it difficult to select effective services and vendors in the 'market for lemons' of cybersecurity solutions. In case of a cyber-incident or an emergency, which can happen to any company at any time, it is important to have secure backups and a robust, well-tested crisis plan. This can not only help companies to limit losses but also to get operations back up and running quickly. It can also be the best safeguard against potential lawsuits against company management if they are perceived to have neglected the board duty of cybersecurity.

2. SOCIAL INFLATION AND COLLECTIVE REDRESS BRING A TOUGHER LEGAL AND LIABILITY ENVIRONMENT

Social inflation refers to a trend toward higher settlement amounts for injured parties resulting in more frequent and costly liability claims for insurers and companies. Originally, a US phenomenon, it is increasingly globally. Commercial and product liability policies, as well as automobile, professional, health, workers' compensation and directors' and officers' (D&O) policies, may be affected. A study by VerdictSearch shows that the frequency of court-awarded indemnities of $20 million or more in 2019 had increased by more than 300% compared to the annual average from 2001 to 2010. The target is primarily large corporations – such as we have seen in cases of glyphosate or opiate lawsuits - but increasingly also smaller companies from the logistics or retail industry, for example, when it comes to the question of organizational culpability in accidents. Social inflation is driven by many causes, among them social developments such as shifting perceptions and attitudes – including the different values of the "Millennial" generation, general criticism against – and distrust of – corporations, and the increasing influence of social media sentiment. Added to this is a customer-friendly interpretation of contracts in court and, last but not least, the increasing professionalization and sophistication of the plaintiffs' side.

Of course, the liability environment in the UK, Europe, Asia or Africa is not as 'toxic' as in the US and the pandemic also contributed to a slowdown in court activity in the US. However, it would be premature to sound the all clear. Further, dismissing social inflation as a purely American phenomenon that at best affects national companies active in the US market, means also misjudging the situation, as potential drivers of social inflation are thriving around the world. Following many national initiatives, a recently adopted EU directive will now create uniform requirements for collective actions in Europe so that consumers can better assert their rights against large companies. Meanwhile, the UK litigation market has seen an increase in claims for collective redress across a variety of sectors. Outside of Europe, Australia has seen consistently high activity while activity has stepped up in Canada.

Legal tech - specialized software solutions and automation of legal activities - will ensure that class actions can be handled ever more efficiently in law firms in future. The assumption of litigation risk is another driver: The number of litigation funding companies, which advance court and legal fees, is growing steadily in many countries globally, as widespread as in Saudi Arabia and South Africa. This increases the willingness of plaintiffs to take legal action. Companies and their insurers must expect more lawsuits and proceedings and prepare for a tougher liability environment and rising reputational risks.

3. ESG TOPICS NO LONGER VOLUNTARY

In recent years, we have witnessed a paradigm shift: The ethical standards that are placed on companies in the area of ESG have increased massively. Whether it is global warming, diversity, biodiversity, or even executive pay, CEOs and boards can be accountable and regularly face campaigns from activists and non-governmental organizations (NGOs). Capital markets are also demanding more robust commitments to a climate-friendly economy or specific audits on inclusion. The social and media pressure is accompanied by a regulatory wave of new laws, standards and obligations for companies. Between 2018 and the end of last year, law firm Herbert Smith Freehills counted more than 170 new ESG regulations worldwide - more than in the previous six years combined. A recent example is a Supply Chain Act which now holds German companies accountable for their suppliers' human rights compliance. Companies must apply these regulations as well as fulfill comprehensive reporting obligations - and this is

of course only right and desirable, but often complex and not without pitfalls in practice. Those who fail to implement them, or implement them carelessly, face the threat of fines or official proceedings. For financial institutions in particular, compliance violations are already one of the biggest drivers of insurance claims, as an **AGCS analysis** shows.

In short, in the ESG spectrum, companies and their insurers must expect new liability scenarios, changes in legal interpretation, and increasing potential for lawsuit and litigation risks. In D&O insurance, we are already seeing the first claims around reporting obligations or greenwashing allegations. Conversely, companies that actively integrate ESG issues into their risk management, manage them systematically, and communicate them properly tend to have fewer claims, as a scientific study by the **Value Group has shown. At AGCS we** for forward-looking models in D&O underwriting.

4. HIGHER PROPERTY DAMAGE, COMPLIANCE AND LITIGATION RISKS FROM CLIMATE CHANGE

Climate change is resulting in more extreme weather events in many parts of the world, leading to significantly higher property damage risks, especially near coastlines, flood plains and in areas prone to forest fires, given these are areas that more and more people and companies have settled in. Recent research by the Allianz Center of Competence for Natural Catastrophes at Allianz Re shows that the frequency of major hurricanes has increased by 15% over the past 40 years – in each decade. The hotter and longer dry spells of recent years also lead to a higher risk of wildfires, as seen for example in Australia and California in particular. Meanwhile, the Earth's warmer atmosphere means it can absorb more water, so we can also expect heavier rainfall in some areas.

In the UK, for example, seven of the 11 years with the highest rainfall to date - since 1862, when weather records began - have been in the years since 1998. In addition to property damage caused by climate-related weather extremes, new liability scenarios are also looming: More than 1,500 climate lawsuits in 37 countries have been filed to date, largely against "carbon majors." The issue of climate compliance should also by no means be underestimated in view of the number of existing and planned regulations on the way to a climate-friendly economy. The flood catastrophe in parts of Germany and the Benelux countries has impressively demonstrated the devastating damage that heavy rain and flash floods can cause.

RESPONDING TO EXISTING AND EMERGING EXPOSURES

The loss scenarios in today's digital and globalized world are diverse and interconnected. The coronavirus pandemic has shown us the limits of previous approaches and processes that were considered robust and the climate crisis and technological change will most certainly present us with further challenges. It is therefore more important than ever for companies to identify risks and loss scenarios at an early stage through systematic monitoring and early warning systems, to learn the right lessons from events, and to agree on effective prevention and risk mitigation, risk transfer, and business continuity measures for the future. Insurance companies must proactively address these loss trends. We need forward-looking risk assessment and underwriting processes and further product innovations especially with a view to the protection gap for exposed tangible assets, but also for intangible assets such as data or intellectual property that have so far been inadequately protected.

At the same time, for insurers, pricing discipline and adequate margins, systematic capacity and portfolio management, and robust reinsurance are needed to cope with the increase in both the number of loss events and the average cost per loss. Only with a focus on profitability are insurers long-term partners.

In addition, services in both loss prevention and claims handling continue to gain in importance. As an insurer, we will only retain our relevance as a risk transfer partner for companies if we find answers to the emerging exposures of the future - and provide reliable and competent assistance in the costly accidents, devastating natural catastrophes and tragic accidents of the present.

The human side of disaster

Natalie Pakkiri, Client Management Executive at Munich Re of Africa

The human side of the Covid-19 disaster is on open display as countries assess the impact of the pandemic on the lives and livelihoods of their citizens.

Over the past 18-months, the black swan event has claimed over four million lives, swelled the ranks of the global unemployed and dislodged an estimated 54 million citizens from middle income to the low income 'band'. The devastation caused by the pandemic is unprecedented, both in terms of the number of lives lost and its economic impact. I recently participated in a panel debate titled 'The human side of disaster' during the recent African Insurance Exchange conference. From a South African context, the pandemic has contributed to a severe spike in excess deaths, coupled with a significant drop in life expectancy.

According to Statistics SA, the average life expectancy at birth of a South African male has dropped from 62.4 years in 2019 to 59.3 years in 2020. And the South African Medical Research Council (SAMRC) has confirmed 222000 excess deaths in the country between May 2020 and July 2021. The SAMRC believes that most of these deaths can be attributed to the Covid-19 disease. The pandemic was felt widely across the globe; but it is clear that some countries, South Africa being among them, suffered worse than others. Sadly, the pandemic is only one of the risks that global leaders need to consider. Climate change has been flagged as the main reason for global natural disaster losses exceeding US$210 billion in 2020.

Munich Re Group, which keeps a close eye on natural catastrophes, has reported rising trends in both the frequency and severity of such events going back to the 1980s. Pakkiri singled out weather-related disasters as the primary driver behind a 3% annual increase in the number of natural catastrophe loss events since 1980, with the number of geophysical disasters remaining constant. The losses attached to these disasters are staggering.

The difference between economic and insured losses, also referred to as the insurance gap, is common to both the natural catastrophe and pandemic insurance environs. The proportion of uninsured losses remains extremely high, with about 60% of total natural disaster losses suffered in 2020 having no insurance cover; and the proportion is much higher in developing countries. The pandemic experience has once again illustrated how vulnerable the world is when it comes to catastrophe events, with far too many firms and individuals having little or no protection from its economic impact.

The pandemic has forced insurers and reinsurers to review the principle of insurance diversification when it comes to large systemic risks. It has become painfully clear that large systemic risks that affect multiple markets simultaneously are in theory becoming uninsurable, and it will require collaboration between the insurance industry and governments to define sustainable approaches to insuring against future occurrences of such risks.

The past 18-months have shone the spotlight on governments, that serve as the last line of defence against catastrophe insurance gaps. And our pandemic experience has also exposed various inconsistencies in country responses to a common threat. Government is an important stakeholder in the human disaster context. We need a more analytical approach to decision making within the government framework, assisted by greater transparency around the identification and management of outcomes for all stakeholders.

The insurance operating environment is changing rapidly, forcing insurers and reinsurers to develop solutions that respond to emerging risks in a more sustainable manner. It is our responsibility to build a society that is able to withstand the type of systemic shocks we are currently living through.

Insurers and reinsurers will have to work together to expand our skill sets and build solutions that enable us to address the current challenges and develop sustainable solutions for the risks we face going forward.

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- We partner with **like-minded brokers**
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- Premium increases **below inflation** every year for the last 5 years
- Guardrisk, our license carrier is a **level 1 B-BBEE contributor**

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- Easy access to decision makers and speed of decisions

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Personalisation

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- Ensuring we provide diverse expertise and technical skills throughout CIB, resulting in the best possible service to brokers and clients alike

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  - Greg Brits, Jurgens Group
- "CIB is committed to establishing long term relationships and continue to raise their level of service to brokers. Their open communication policy makes it easy to do business, engage in high level discussions and find solutions for all parties involved."
  - Wickus van der Walt, FNB Insurance Brokers
- We would like to express our appreciation to the CIB directors and all their staff for their high standard of service and support. Always going the extra mile and taking the time to listen to our needs.
  - Féthon Zapheriou, Insurisk

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The future of insurance in South Africa's agricultural industry

Hanlie Kroese, Manager Segment Solutions at Santam

With increasingly severe weather, growing political volatility, cyber concerns and other threats, farmers need to continue to invest in their risk preparedness.

As the farming industry is disrupted by digital, insurers and intermediaries must anticipate emerging risks to remain relevant and be the partner that farmers need. Now's the time for insurance-specific technologies, intensified focus on AI and strategic partnerships.

For intermediaries and insurers, the focus has shifted to proactive risk mitigation to assist clients to predict and prevent losses. The emphasis is on partnering with clients to facilitate collaborative risk management. This means using data to provide granular, customised support to guide clients' decision-making, risk management best practices and disaster recovery plans.

WHAT CLIENTS WANT

Today's insurance client seeks greater risk prevention, ease of doing business, and value-added services. The incorporation of digital platforms in agricultural insurance has the potential to accelerate client records, reduce transaction costs and improve insurance process efficiency. The absorption of technology will enhance the response to external shocks, leading to enhanced stability, growth, and sustainability of agricultural value chains. However, clients need to be convinced that new ways of working are beneficial. For example, worldwide, the issue of mobile insurance policies has increased by 68%. However, only 7% of these policies originated from the agricultural industry, indicating a favourable opportunity for growth within the sector.

THE EVOLUTION OF AGRICULTURE – AND AGRICULTURAL INSURANCE

According to Omri van Zyl, Agri Enterprises, the farming industry is expected to consolidate in the medium term. In the next 10 to 12 years, there should be greater integration of farming technologies, daily monitoring of conditions via a more developed digital ecosystem, the integration of smart farm equipment like drones, and more regulation driving digital adoption. From an insurance perspective, agents will need to use digital solutions to drive value creation and forge lasting farm relationships.

Emerging risks will transform the insurance landscape and digital transformation will shape customer experience and consumer behaviours with focus on simplicity, speed and convenience. Data will change how we interact, and poor data management will become an enterprise-level existential threat.

PARTNERSHIPS ARE PIVOTAL

Going forward, insurers need to pioneer innovative risk-mitigation products that meet changing client expectations, such as Santam's customised solutions for the modern farmer. Service-based models will be key. Additionally, they'll need to partner with dynamic start-ups and Insuretech companies to retain relevance and assist farmers with the solutions required to smoothly transition from traditional to digital farming practices. Technology will also empower intermediaries to aggregate multiple value-added services to best serve a clients' risk needs.

As insurers, Insuretech and Agritech companies merge, there's the opportunity for data to be collected and losses assessed at a rapid rate. However, the move to digital comes with risks. Global cyber insurance is expected to reach up to 25% growth by 2025. This presents another opportunity for insurers and intermediaries to tailor-make insurance solutions to help clients navigate a new world.

Now is the time to move beyond insurance. Becoming an 'everyday adviser' means proactively providing guidance on risk mitigation. It means unlocking the power of real-time, personalised data to anticipate what farmers need. It means listening to clients and thinking of innovative, immersive ways to improve customer experience.

Global insurance M&A dips, Middle East outlook remains optimistic

Clyde & Co

Mergers and acquisitions (M&A) in the global insurance industry dropped back slightly in the first half of 2021 with 197 completed deals worldwide, down from 206 in the second half of 2020 and 201 at the same point last year, according to Clyde & Co's Insurance Growth Report mid-year update.

Driven by robust activity in the US, the Americas led the way with 116 deals, up from 102, pushing M&A in the region to its highest level since 2015. After a steep drop in transactions in 2020, Europe held steady in H1 2021 with 51 completed deals, up one on the previous six-month period. The UK was the leading European country – and second most active worldwide behind the US – ahead of Spain and Germany.

In contrast, Asia Pacific saw completed deals fall from 37 to 18 – the lowest level since we began this report in 2011 – as post-pandemic and geo-political uncertainty weighed heavy on deal-makers. Japanese acquirors were again the most active compared to 2020, ahead of India and Australia.

After a standout 2020, which saw a total of 32 deals, M&A activity in the Middle East and Africa dropped back with only 5 completed transactions in the first half of this year. These all involved Middle East acquirors – two from Israel and one each from Egypt, Saudi Arabia and the UAE.

Change in deal numbers between H2'20 and H1'21 by region

Region	H2'20	H1'21	% change
Global	206	197	-2.9%
Americas	102	116	+7.3%
Europe	50	51	+2.0%
APAC	37	18	-51.4%
MENA	17	5	-70.1%

Peter Hodgins, corporate insurance Partner at Clyde & Co in Dubai, says: "M&A activity in the Middle East insurance markets continued at modest levels during the first half of 2021. Activity appears to have been opportunistic with local investors capitalizing on the strategic decision of some European insurers to scale back operations in the region. We expect further developments later in the year 2021, as insurers seek to focus on core lines of business / specific regional markets where there is perceived scope for future growth.

Consolidation remains high in the agenda, particularly in the larger insurance markets of the UAE and Saudi Arabia, driven by high levels of competition and ongoing regulatory developments. There has also been a significant volume of transactions involving intermediaries and insurance support businesses, with notable interest in health insurance third party administration businesses."Ivor Edwards, Partner and European Head of the Corporate Insurance Group at Clyde & Co, says: "Despite the challenges of the last 18 months, the insurance industry has responded well and demonstrated a remarkable degree of resilience when it comes to getting deals over the line.

Market hardening is creating organic growth opportunities for re/insurance carriers, but the availability of cheap liquidity, active interest from private equity investors and strategic re-underwriting of portfolios at larger carriers signal that an uptick in M&A is likely. The extent of that increase will vary by region and investor sentiment – deal-makers in the US are comparatively bullish whereas their counterparts in Asia-Pacific remain more cautious as they wait for a more positive economic outlook."

KEY M&A DRIVERS REMAIN CONSTANT

Strategic disposals increasingly common

There were 11 deals in H1 2021 valued at over USD 1.0 billion, compared to 15 in the whole of 2020, including the largest of the period, the sale of UK-headquartered RSA to Regent Bidco for USD 9.2 billion. In addition to the rise in big-ticket transactions, in a sign of a bifurcated market, there is an increasing number of more modest strategic divestments from carriers looking to focus on their core business as part of a long-term strategy.

Vikram Sidhu, Clyde & Co Partner in New York, says: "We are seeing a lot of legacy books being sold off or prepared for sale. The sellers tend to be companies looking to the future in a robust and creative way, trying to clean up their balance sheets and free up capital; they are taking a proactive focus on the next 2, 5, 10 years.

Technology both a deal catalyst and barrier

H1 2021 saw technology investments into a variety of businesses around the world including deals focussing on coverage to homeowners in catastrophe-prone regions, online insurance comparison platforms, and digital healthcare. **Eva-Maria Barbosa, a Partner at Clyde & Co's office in Munich says:** "Covid-19 has underlined the importance of having digital capabilities and technology remains a primary driver of M&A. Many start-ups have matured to the point where they have a proven business model and a robust balance sheet, which makes them very attractive to buyers. Meanwhile, on the flipside, the absence of sufficient technology investment on the part of a seller can be a deal breaker – potential acquirors can be put off if they think they need to spend millions to make a target company's IT systems fit for purpose."

Regulators flexing their muscles

The sharp drop in M&A activity in Asia Pacific can be attributed in part to the high regulatory bar in some jurisdictions. Not only do prospective acquirors face higher solvency capital requirements in some markets, but there is a more robust scrutiny of business plans to assess the longevity of new entrants' interest. **Joyce Chan, Partner at Clyde & Co in Hong Kong** says: "Regulators are becoming increasingly cautious. When new players come in and buy a particular insurer in the region, local regulators usually request quite a substantial capital increment as well. The solvency requirement expectation is much higher, acting as a brake on M&A. Conversely, regulatory actions are also making some significant portfolios available to acquirors. In Australia, for example, the knock-on effect of the recent Royal Commission is forcing the country's major domestic banks to offload non-core lending businesses, which is making a number of attractive insurance assets targets for acquisition."

OUTLOOK VARIES BY GEOGRAPHY

US optimism abounds

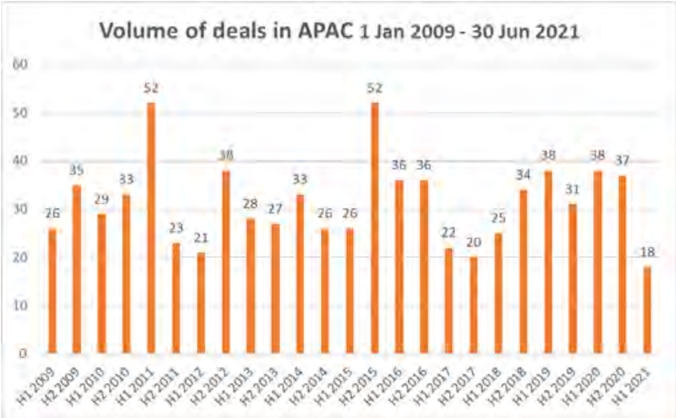
After a standout first six months of the year, the expectation is for more M&A to come in the US. Vikram Sidhu says: "Deal-makers are looking past concerns around the Covid-19 pandemic and economic uncertainty. There is an expectation in the US that the economy is going to grow in leaps and bounds over the coming quarters and years – the post-pandemic outlook is very positive. Even weak sectors have been rebounding and the concerns of the last year have been receding (albeit tempered by a rebound in Covid cases due to the Delta variant), bolstering investor sentiment. We expect M&A to remain at a high level for the remainder of the year and into 2022."

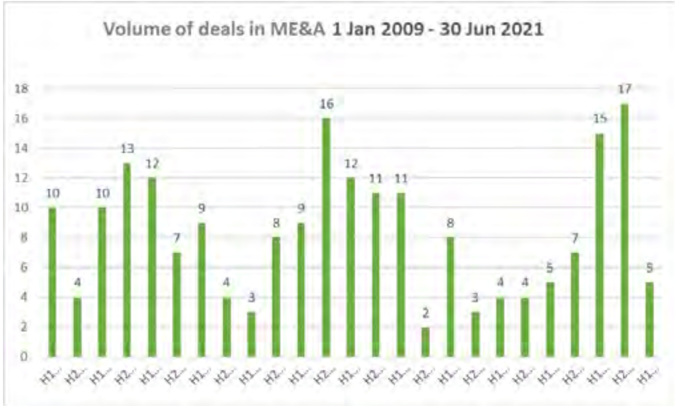
Europe ready for an M&A re-set

Although deal activity in Europe has continued steadily at a comparatively low level for a couple of years, there are signs that some of the region's structural issues are being addressed. Eva-Maria Barbosa says: "The high number of life insurers and composite carriers facing stringent capital requirements make these businesses unattractive to potential acquirors, while companies looking to build scale in their non-life book through M&A have to solve the conundrum of what to do about their life operations before seeking a merger partner. Some larger carriers are looking to exit the life market in order to improve their balance sheets, with the bulk of life business divestments expected to end up in the run-off sector."

Asia Pacific considers alternative routes to growth

M&A activity in Asia Pacific is likely to remain subdued until the markets have stabilised post-Covid-19 and there is greater certainty about the economic outlook. Joyce Chan says: "Deal-makers in Asia Pacific remain in wait-and-see mode for the time being. Given the cost and effort required to get transactions over the line, insurers are considering a range of growth options. These include strategic alliances with online banks, e-commerce giants, or other online retail platforms to access new distribution networks. The MGA model is likely to expand, especially in the medical insurance sector due to the uptick in middle-class spending coupled with an ageing population."





Expired licence? See what the insurance industry says

The South African Insurance Association (SAIA)

We have received new enquiries from concerned motorists about how insurers would treat motor vehicle claims where the insured person's driver's licence has expired after 31 August 2021.

In short, drivers can take comfort in the fact that an insurer will not automatically reject a claim where a licence has expired. This matter is particularly relevant when there are backlogs or delays in getting appointments at Drivers Licence Testing Centres (DLTCs).

Insurers follow the guidance provided by the Ombudsman for Short-term Insurance (OSTI) who has from as far back as May 2007 ruled that insurers should not refuse to entertain the claim if the driver's licence or licence disc has expired. To determine an equitable outcome, the insurer would need to demonstrate prejudice because of the failure to be in possession of a valid licence, therefore materiality is a critical factor for consideration.

The OSTI stated that the insurer should consider the full merits of each claim before making a decision and not reject claims solely because a driver's license had expired.

Therefore, as each individual claim is judged according to its own merits, in some cases, after examining the particulars of a claim, an insurer may determine that not having a valid licence was material and therefore directly relevant to the claim. In such a case, a claim might be denied.

We advise the policyholder to proactively contact their respective insurer or broker to make them aware of difficulties being experienced in getting a licence renewed, as well as provide evidence that the renewal application has been made or at least that attempts have been made in this regard. Insurers would make the necessary concession(s) for valid claims in consideration of this.

Accurate risk assessment essential

Mike Ndlela, Managing Director Elite Consulting

In this article I will focus on the importance of Risk Assessment and Underwriting which are both critical fundamentals of insurance in general.

For an Insurer to appropriately underwrite any risk, proper assessment of the risk is required. This is also crucial in determining the correct premium to be contributed to the pool fund by the Insured. The higher the risk, the higher the premium. Loss Adjusters, because of their expertise and knowledge of different insurance policies, play an important role in the assessment of risks and often advise Insurers of recommendations required to improve the risk.

To sensibly understand the importance of the role played by Loss Adjusters, one needs to explain in brief what a Loss Adjuster is and what is expected of them when they are appointed on a claim. The first duty of the Loss Adjuster is to establish whether the insurance company is liable under the terms of the insurance policy, and if so, to what extent.

THE LOSS ADJUSTER WILL TYPICALLY REVIEW THE FOLLOWING THINGS:

- That adequate insurance is in place to cover the loss
- That all conditions and endorsements in the policy have been met
- That the loss or damage to the property falls within the terms of the policy
- That the amount being claimed for is reasonable
- That only valid items are included in the claim

Ultimately, the Loss Adjuster will be looking to establish the cause of the incident and whether the damage suffered as a result, is covered by the insurance policy.

The Loss Adjuster will also do a full risk assessment which normally includes amongst others, fire and theft. In terms of fire, the Loss Adjuster will check for any fire hazards and protections (smoke detectors, sprinklers, flammable products etc) and make recommendations to Insurers/Insured. In instances of thefts, the Loss Adjuster will review protections such as alarm systems, security gates on doors, burglar bars on windows etc.

The risk improvement recommendations are communicated to an Insurer who will then advise the Insured to implement in order to improve the risk. This is sound underwriting which benefits all parties. Back in the days Insurers used to employ Risk Surveyors who were responsible for the assessments of new risks. Over the years, most Insurers have been accepting risks in their books without any assessment. Now one can buy insurance over the phone and the underwriter relies on the information provided by the buyer. This is often done in "Call Centres" by staff who do not have knowledge of insurance. This we can assume is done to cut down costs of insurance. If critical questions are not asked about the risk, then the underwriter only relies on the information provided which can lead to poor underwriting of a risk. The other critical area that is lacking is training. The "old generation" with technical skills is retiring in most cases without transferring their technical skill to the younger generation.

"If critical questions are not asked about the risk, then the underwriter only relies on the information provided which can lead to poor underwriting of a risk."

So, with the Risk Surveyors out of the picture, Insurers now rely solely regarding the risk assessment function on recommendations made by Loss Adjusters whenever they are appointed on a claim. The contribution from Loss Adjusters in the insurance industry remains significant.The recent unrests experienced in Gauteng and Kwa-Zulu/Natal have also highlighted the significant the role played by Loss Adjuster in the insurance industry. The nature of Loss

Adjusting work is full of pressure which Loss Adjusters are used to, this has come in handy because all pressure is on them and they are working tirelessly to get businesses back on track.

The role of the Loss Adjuster in advancing skills

Janine Janse van Vuuren and Alba de Pontes, Loss Adjusters specialising in complex liability claims at Independent Claims Loss Adjusters

The Financial Intermediation, insurance, real estate and business services sector makes up about 23% of the total formal employment sector in SA, of which insurance is a substantial portion. However, skills shortages have plagued the short-term insurance industry for many years.

In a 2019 report issued by INSETA under the title: **Status of Skills in the Insurance Industry**, they identified various key issues relating to the skills shortage, specifically in the Short-Term insurance sector, and specifically in specialist and management roles, such as lack of formalised training programmes, the exodus of skilled staff, the lack of-, or inadequate skills transfer to newcomers, and the rapid pace of regulatory change and transformation.

While inhouse / on-the-job training has traditionally been the backbone of industry skills development, there are various factors hampering these efforts, such as work pressures and lack of adequately skilled senior staff available to dedicate their time to training, the exodus of experienced insurance professionals, the lack of formal training material and in-depth training available in the industry and constant churn of staff. The skills shortage in the industry has led to ongoing poaching between companies, crippling the industry and placing a financial burden on especially smaller companies and specialist businesses within the industry. The formal education system is not equipped to meet industry needs and cannot produce work-ready job applicants. Formal academic qualifications are expensive and time consuming and many candidates simply do not have the means to complete formal university degrees. Qualified graduates also experience a gap between their formal training and the practical requirements of the job.

The outbreak of the **COVID 19 virus** in early 2020, has had an additional negative impact on the industry's skills development programmes While there are many benefits to remote working, one of the consequences will unfortunately be the decline in on-the-job vocational training opportunities – especially for young, inexperienced staff. With no formal in-depth, specialised vocational training and development courses and material available in the market this will ultimately have a negative effect on the sustainability of the market as it impacts on the quality of risk decisions that insurance professionals make – affecting their risk carriers and their clients.

With no formal in-depth, specialised vocational training and development courses and material available in the market this will ultimately have a negative effect on the sustainability of the market as it impacts on the quality of risk decisions that insurance professionals make – affecting their risk carriers and their clients. Rapid learning interventions are required for the industry to keep abreast of the challenges it is facing. There are a few approaches to this problem, one being fostering a more productive partnership between the insurance industry and the formal education system, which should be focussed on delivering more cost- and time- effective, and occupationally relevant methods of delivering practical occupational training, such as e-learning.

The other would be fostering a more productive partnership between industry stakeholders and leveraging off the pockets of excellence to maximise learning and skills development opportunities. Specifically in the specialist arena, insurers and brokers often use industry experts in the form of specialist Loss Adjusters or Attorneys who can assist with upskilling staff and can add additional value specifically in gaining a better understanding of the risk profile of their portfolios. Many Loss Adjusters have exceptional problem-solving, analytical thinking, decision-making, inter-personal and communication skills. These are all skills that are critical to the insurance industry and which can only be developed through hands-on involvement in insurance claims. The Loss Adjuster in a sense becomes the orchestra conductor during the claims process as he navigates his way through the facts, the law, the claims processes, all the while managing the various stakeholder relationships while he taps into a broad range of knowledge, experience and skill to gather the pertinent facts, and apply those facts to the policy cover .

While the Loss Adjuster's primary focus will be finding a pragmatic solution to the particular claim, the Loss Adjuster's report will often transcend the facts of the claim and provide invaluable risk insights allowing the insurer a better understanding of the business practices of his client and how that translates into the risk profile that the insurer prices when he offers insurance to his client. These reports may go even wider and offer the insurer better insights into a portfolio of risks. These insights may prove very useful in developing risk assessment tools to more accurately price and underwrite risk. It may also provide unique insights which may allow the insurer an opportunity to be pro-active in finding new insurance solutions to address risks his client may be grappling with on a daily basis.

THERE ARE MANY WAYS FOR INSURERS AND BROKERS TO CAPITALISE ON THE EXPERTISE OF LOSS ADJUSTERS IN SKILLS TRANSFERENCE-

- In-house training of staff:

Many insurers and brokers have used the COVID pandemic as an opportunity to develop online learning and skills development platforms to present webinars and panel discussions where industry experts such as Loss Adjusters, Attorneys, and other industry experts can share their knowledge.

- Site visits and meeting attendance with Loss Adjusters

Staff at insurers and brokers should be encouraged to actively participate in the claims investigation with the Loss Adjuster by attending meetings and onsite inspections with the Loss Adjuster.

- Creating a database of, and data mining Loss Adjuster reports

Loss Adjuster reports may contain invaluable risk insights for the insurer. Through their investigation Loss Adjusters gain intimate knowledge of an Insured's business model, practices and operations, and/or the various industry landscapes in which insured businesses operate. Loss Adjuster reports should be stored, analysed and

"data mined" by both claims as well as underwriting areas. The database can also assist in-house training through post-mortems of claims scenarios.

- Conducting risk surveys / audits

Many global insurers employ risk engineers who are experts in the industry in which they are qualified. A productive partnership between insurance risk engineers, and Loss Adjusters will assist in gaining better understanding of the specific insured's risk profile through their business model and practices.

There is often a discrepancy between the "theoretical risk profile" of the Insured and what happens in practice within a business. It is the Loss Adjuster who does site inspections, meets with the Insured and their employees and is involved in the root cause analyses of scenarios where risk management has failed. It is in this space that the Loss Adjuster can be used to conduct risk surveys / audits for underwriters prior to underwriting the risk.

Supply chain interrupted

Tony Webster, Aon South Africa

With trade already heavily challenged by the COVID-19 pandemic, the current wave of riots and looting in parts of the country is exacerbating matters further, presenting a tipping point for many businesses as to whether they survive or not.

The violent and destructive protest action of the last few days has thrown supply chain risk into stark contrast yet again, with businesses scrambling to secure the weak links, safeguard lives and property and reduce the risks to business continuity as far as possible.

As a result of the pandemic, there has been a major consumer shift to online shopping with people clicking a button on their computer and getting goods delivered to their home. With so much of the supply chain happening behind the scenes and out of sight, consumers generally do not understand the complex and interlinked processes involved in getting that parcel or service delivered to their doorstep. It's only when something goes horribly wrong, as it has in the last few days, that there is a realisation of just how critical, yet fragile supply chains are, and how the domino effects of an incident reverberate throughout the entire value chain.

WHY IT MATTERS

With major highways and byways in and out of KZN blocked, it means that tens and thousands of fleet vehicles are unable to deliver goods across the country from South Africa's busiest port, not to mention delays caused in Gauteng, the country's economic hub. Goods will be late in reaching destinations, if at all, as transport operators run the risk of having trucks and cargo damaged, burnt or looted by rioting crowds.

It is not uncommon for multiple events that disrupt supply chains to occur simultaneously. It's quite possible that certain providers of products are going to be caught up in more than one event concurrently, as these events rarely wait for each other to finish and do not operate in a linear way. In addition to the disruption of business operations, the impact of breakdowns in logistics systems raises another peril: reputational risk.

Because consumers rarely separate the logistics from the provider of the product, the business involved could be hit twice: an immediate impact on revenue and profit, along with a loss of attraction in the future triggered by reputational damage. We've all been lulled into believing that everything is a click away and that's fine if it works, but it only works when that specific supply chain is absolutely fluid and nothing goes wrong.

It falls on the businesses whose products, essential components or raw materials are in the supply chain to evaluate and address these risks and put measures in place to mitigate them.

Whatever businesses are producing or manufacturing, they will have a portfolio of products, and some of those products will be more valuable than others, either because they generate more income or because they service a market that's growing for them or they are crucial for a key customer. If they understand what's driving the value of that business, they can then start to find the potential supply chain pressure points and risks around the end-to-end fulfilment of that product.

Businesses should identify their most crucial supply chain ecosystem and the suppliers that are critical to that ecosystem. How a company addresses the risk becomes clearer once the points where a blockage or incident could negatively affect its ability to deliver products or services have been identified. Then they can ascertain their course of action, whether it is to hold more inventory, bring suppliers closer to home, diversify distribution points geographically, explore new logistics options or other alternatives.

We're seeing companies start to think more strategically around the business continuity element. It's all about how an organisation fulfils its most important client needs if a portion of stock is lost, which may mean relying on redundant supply, using a different route or other alternatives.

RESHAPING ORGANISATIONAL RESPONSE STRATEGY

In addressing risks identified during the ongoing pandemic, many organisations made changes to their operating models, workforce strategies, products, portfolios, supply chains and more. The pandemic has created massive uncertainty, but also an unprecedented opportunity to learn and reshape parts of an organisation, building resilience for future shocks.

Concerns over geopolitical tension have been simmering in the background for a while and with domestic political unrest front and centre on South African soil at present, organisations are bound to find out just how resilient these changes are in the face of major disruption to their supply chains.

It is at times like these where the insights and advice from experts in the field prove to be invaluable. Defining the fine line between what organisational risks can be handled internally and what aspects of that risk need to be covered externally, will provide a roadmap amid massive uncertainty.

Exciting time for UMAs

Martin Le Roux, Managing Executive at Centriq

Tony: Centriq is very much a big player in the UMA market, focusing on specialist underwriters. Can you give us your observations on the UMA environment at the moment?

Martin: When it comes to UMAs you can usually see the niche and the focus, because they are so much smaller. There is no doubt that it is about that specialist niche, the technical and specifically, underwriting ability. When we say specialist skills, we're talking about underwriting ability, not necessarily finance, actuarial or any other technical ability. I am talking about that "dyed in the wool" specialist underwriting skill, which has become scarce due to various factors.

For example, we have an ageing workforce in South Africa. A recent example of a great loss to the industry was Russell Meyers' exit from Mirabilis. You can't put a price on that level of experience and what someone like him must have seen in the industry over the years.

I recently met with a Marine specialist who is approaching 70. Who is going to replace him when he steps down? When we start thinking about finding the next person, we are faced with a problem. We have started looking at younger talent, which is great, but the thing about experience is, you only gain it through experience. It is a function of time.

Secondly, insurance is not perceived as a particularly attractive career. To a lot of people outside the industry, it sometimes comes across as "dull and boring". I think it's an industry that treats its people well, on balance. Whether it's a function of that, or whether it's a function of the insurers or the niche areas not necessarily doing enough to bring that next wave of talent through, there's no doubt we are lacking specialist skills.

I think we even see this to a degree in the commoditised lines. Not everything can be black box. There is still an element of underwriting, specifically in commercial risks. There is still an element of acumen that goes into underwriting commoditised lines, which is a function of experience.

Even now, when we're looking for a new underwriter, all the good CVs you get are the plus 50-year-olds, which is great, but how much time are you going to get out of them? These are also not the people who will take over the business. They will more than likely exit at retirement age or earlier.

Tony: The IISA is doing quite a bit of technical training, but is it at the level that you want in terms of specialisation, etc?

Martin: Yes, but we are not talking about general insurance education here. We're not just talking about regulatory frameworks and of those sorts of issues. While these are obviously important, we are talking about the ability to look at a risk and get a sense of it almost instinctively. We have some incredible UMAs in our stable, so when you talk to these guys, their understanding of risk and pricing is phenomenal.

They've seen it before, somewhere in the last 20 or 30 years, they've seen it. If not that exact risk, then that type of risk. They will run off a list for you of what you should be looking for and what could go wrong. It is not a book that taught them that; they've walked the yards, those hard yards.

Tony: What strengthens the hand of the UMA?

Martin Le Roux: I've always believed that the UMA, specifically (but not exclusively) in the specialist space, has to stand for excellence in a specific line of business. We have a UMA in our stable, SAU, which writes commoditised motor in the same space as Santam, MiWay and King Price. This is a highly competitive market where UMAs theoretically shouldn't have the upper hand because it's all about scale, efficiency and areas like procurement. Yet they consistently produce ridiculously good results. So even in a commoditised line of business they've managed to niche themselves.

That being said, in the more specialist, niche lines of operation, the UMA has a significant advantage over the insurers. I am not knocking the insurers. Even we are part of a very big insurer at group level. Our local insurers are very good at what they do… but they're also very big, and their size sometimes works against them. It's like the oil tanker analogy, where they can never realistically be as agile, nimble or quick as the UMA.

The same goes for the entrepreneur: the right person who has, after many years and lots of experience, gathered a following among specialist brokers and in specialist markets. These entrepreneurs are well known and trusted by their broker followers. They, and the insurers, trust in the entrepreneur's ability, which creates a massive opportunity for him or her to be independent, to build wealth and to lead a nice life without any corporate pressure.

I therefore still think the future is very bright for the UMA – but the right UMA. In short, UMAs are good for the industry, good for brokers, good for insurers and ultimately good for customers. **We love the model, and I think it still has good legs. But again, it comes down to securing that next wave of skills.**

FINANCIAL PLANNING

"The range of investment management solutions that are available to clients have also seen high levels of innovation"

- Martin Riekert, head of Retail Investments at Momentum Investments

Coaching your client for improved retirement outcome

Martin Riekert, head of Retail Investments at Momentum Investments

South Africans are notorious for their poor savings culture. Our national savings rate has decreased if compared to 30 years ago and has been fairly stagnant over the last 20 years.

For many South Africans, the impact of this is seldom felt as harshly as during retirement. The reality is that a lack of provision for retirement won't only affect your own standard of living, but it very often also affects the living standard of your children as they will likely need to support you financially. This problem is not due to a lack of options to the savers in our country. There are various ways for South Africans to save for retirement. Retirement annuities, pension funds, provident funds and preservations funds – all of these provide tax-efficient and well-governed investment vehicles that is ideally suited for retirement provisions.

Even the range of investment wrappers typically reserved for discretionary investments can be used to provide for retirement. The range of investment management solutions that are available to clients have also seen high levels of innovation, with various options available to make it more personal and suit a clients' risk capacity, tolerance and appetite. We should also acknowledge that all these options can confuse clients – as human beings, we are not really wired to deal with the complexity of choice. This begs the question – what can financial advisers do to improve the retirement outcomes for clients?

What are the aspects of retirement planning that you can directly control? I truly believe that financial advisers should increasingly play a role of a financial coach in future. Advisers should focus not only on the 'hard facts', but also the 'softer' aspects – like human behaviour or behavioural finance – as this will directly impact the choices that clients make, and therefore also affect their financial outcomes. Given South Africans' poor historic retirement outcomes, it is clear that our clients need the personal guidance and assistance that only professional financial advisers can offer.

The first aspect is to ensure that clients start their retirement savings journey. Clients are often overwhelmed when they see the suggested savings contribution that will be required to retire comfortably. And this can lead to not starting at all. As financial coach, it is important that your clients realise that any start – even starting small – is infinitely better than to simply keep the status quo.

Rather devise a plan where the contribution amount can gradually be increased over time – possibly to align with their annual salary increase. The next aspect is possibly the hardest but is often overlooked. Once a plan has been implemented, it is important to continuously remind your client that sticking to the plan is quite crucial.

In this context, I don't only refer to the contribution amount, but also to the investment and asset allocation plan. In research conducted at Momentum Investments, we noticed that an average of 1.1% of a client's annual investment return was destroyed during the 2008 financial crisis when they opted to switch their investments between different funds or providers. And this increased to a massive 6.5% reduction in return during the Covid-19 market volatility – only because they tried to time the market. This 'behaviour tax' is an expensive price to pay, and typically leads to worse financial outcomes – especially if it compounds over 20 to 30 years until retirement. The good news, however, is that you as financial adviser can directly influence your client to avoid this behaviour tax.

"The range of investment management solutions that are available to clients have also seen high levels of innovation, with various options available to make it more personal and suit a clients' risk capacity, tolerance and appetite."

Naturally, the investment solution you recommend to your client can also contribute to avoid this behaviour tax. Choosing a solution that aligns with your client's risk appetite should reduce the 'switch itch' that clients often experience during volatile markets. This is an aspect that we deliberately manage in our investment solutions through our outcome-based investing philosophy. Our outcome-based investment solutions not only aim to deliver on specific return targets that aligns with your advice process, but also incorporates explicit risk management measures that, for example, assist in managing drawdown risk. We believe that this is one way we make investing personal and that this alignment will assist you in coaching your client to stay invested, and ultimately to deliver on their personal retirement goals.

Momentum Investments is part of Momentum Metropolitan Life Limited, an authorised financial services and registered credit provider (FSP 6406)

Special needs children need specialist estate planning

Alex Simeonides, CEO of Capital Legacy

Being a parent is both challenging and rewarding. From the day our children are born they need us for everything.

Obviously, babies require attention almost 24 hours a day – but every stage of their lives requires a new level of input and investment. Time, money, guidance, counsel and advice (when they take it). Then, one day, they spread their wings and fly the proverbial coop.

Getting our children to this point is no mean feat, as any parent will testify to. To be able to release them as self-sufficient adults into this world is a real achievement. It also marks a very significant life stage in a family's life cycle called the empty nest stage. It's usually at this stage that families have their lowest costs (no more school fees and extra mouths to feed) and their lowest debt (houses and credit cards are normally almost paid off).

This is supposedly when you can catch-up on retirement savings and plan for the second half of your life and, of course, shore up for the legacy of the inheritance that every parent wants to leave for their children – however big or small.

The thought of one day passing away and leaving your grown-up children behind is tough but made easier if you know they are able to care for themselves financially – and hopefully any inheritance you leave behind can further assist them.

But what about parents of children who have special needs? What happens if your child is never in a position to leave home and the financial responsibility that all parents bear, never alleviates – in fact, potentially increases with age? What happens if you were to pass away? Who looks after your adult special needs child? Who manages their finances?

IN SA, THERE ARE 700,000 CHILDREN WITH DISABILITIES UNDER THE AGE OF 19 YEARS.

In the 2011 national census, it was reported that there were 2,8 million people with disabilities in South Africa. 700,000 were under the age of 19 years, 1,2 million were between the ages of 20 and 59 years old and 900,000 were over the age of 60 years. How many of these people have outlived their parents and find themselves in very difficult financial situations?

The 2011 census also goes on to note that "there is low labour market absorption of persons with disabilities." This is an understatement in a country that has one of the highest unemployment rates in the world. The bottom line is that special needs children need specialist estate planning in order to properly secure their long-term financial security.

PARENTS OF SPECIAL NEEDS CHILDREN NEED TO CONSIDER THE FOLLOWING IN THEIR ESTATE PLAN FOR THEIR CHILDREN:

1. Who will look after them and act as their legal guardian in the parent's absence?

2. Where will they live and how will they afford basic living expenses such as utilities, rent, food etc.?

3. How will they afford to pay for medical bills and any specialist medical care?

4. If they are not yet grown-up, how will they afford education and a chance to live a productive life?

5. Who will have financial oversight of their inheritance to make sure it's not squandered or misappropriated?

GOOD FINANCIAL AND ESTATE PLANNING STARTS WITH YOUR WILL.

The reality is that establishing a good financial plan for your children starts with your Last Will and Testament. This exercise forces you to think through and plan for both worst- and best-case scenarios and implement solutions now. Taking the time to draft your Will now, allows you to consider the previously mentioned questions and strategically address each one of them. There's no doubt that it's difficult to manage the costs of raising a child with special needs and that it leaves little room for additional savings for retirement or their financial security when they grow up. But this is where life insurance and the right estate plan can be a game changer. Here's why:

1. Life insurance is cheaper when you're younger.

It would take a lifetime to try save a few hundred thousand Rands to leave to your children, but through life insurance you could leave them an inheritance of millions of Rands. The cost of life insurance increases as you get older so the sooner you start planning the better.

2. Trusts are your friend.

It's not a great idea leaving large sums of money to people who have never had to manage this before. This is where trusts are vital. A Type A Testamentary Trust is a vehicle that has beneficial taxation regulations and can be used to provide for a child who is physically or mentally incapable of providing for themselves or is unable to manage their own finances. Professional trustees are charged with managing the finances to the sole benefit of your child, protecting them from abuse or just well-meaning mismanagement of the funds. This money needs to last them their lifetimes once you're gone.

3. Nominate a guardian who cares.

The role of the legal guardian is more than just to have signing power if your child is a minor or mentally or physically incapable of doing so. Their role is to love and care for you child and meet their emotional needs too. Any guardian who accepts this responsibility shouldn't have to take on the additional financial burdens too – although this happens all too often. This is why life insurance paying to a trust to the benefit of your child is such a simple but powerful solution.

Type A Testamentary Trusts are also tax efficient – preserving more of your child's inheritance. A trust created for the sole benefit of a person with special needs who has a mental illness as defined in section 1 of the Mental Health Care Act, 2002 (Act No. 17 of 2002), or from a serious physical disability or illness as defined in section 18(3) of the Income Tax Act, No. 58 of 1962, may qualify as a Type A Special Trust. This type of Trust is taxed at a sliding scale from 18% to 45%, the same as natural persons, as opposed to a flat rate of 45% as for a normal Trust. A Type A Special Trust is also entitled to the annual R40,000 exclusion on capital gains.

Being a parent is indeed challenging but conducting proper financial and estate planning now, will certainly alleviate huge stress and address very real challenges when we're no longer with our children. For more information visit us at www.capitallegacy.co.za

Urban living's impact on our wellness

Dr Morgan Mkhatshwa, Head of Operations at Bonitas Medical Fund

South Africa is urbanising rapidly: 63% of South Africans are already living in urban areas. Stats indicate this will rise to 71% by 2030 and by 2050, eight in 10 people will be living in urban areas.

While it is unavoidable that people migrate to cities for work, it does have a negative effect on people's health. The most significant effect is the increase in non-communicable or lifestyle diseases.

The main problems associated with changes in lifestyle and behaviour, due to urbanisation, are:

- Increased alcohol and tobacco use
- Lack of exercise. Cities are often over-populated, there are too few public spaces for physical activity and many residents have to use public or private transport because of long commutes to work, schools and amenities
- Poor nutrition. Changes in diet include more processed and refined food, an increase in high-fat and high-sugar diets, less fruit and vegetables, less complex carbohydrates and fibre

SOCIO-ECONOMIC FACTORS

There is an increasing recognition of the importance of social, economic and physical environments as determinants of health and well-being. Unfortunately, the poorest people living in under-serviced inner city areas or informal settlements are the most exposed to unhealthy urban environments.

With urbanisation, the double burden of non-communicable diseases (NCDs) will increase if no effective health systems and policies are put in place to prevent, detect and treat communicable and non-communicable diseases.

Our analysis of lifestyle diseases indicate that hypertension is the most prevalent non-communicable disease, followed by high cholesterol and diabetes Type 2. Obesity, high cholesterol, diabetes Type 2 and hypertension are all symptoms of metabolic syndrome, caused by poor nutrition and a sedentary lifestyle.

The science around nutrition has long been problematic. Published results have varying conclusions but concur that highly processed and food with high sugar and "bad fat" content should be avoided.

Also, in the top seven conditions are susceptibility to blood clotting, asthma, underactive thyroid and depression. Asthma is a respiratory condition most often caused by pollution or other irritants in the environment and mental health conditions can also be a consequence of urban living. Oncology is also becoming more and more prevalent. The number of Bonitas members with cancer has more than doubled since 2016.

AIR POLLUTION

Motor vehicle, industry and domestic fuel use increases air pollution which is responsible for a range of lung and respiratory diseases, heart conditions and cancers. [Chronic Obstructive Pulmonary Disease](https://www.airliquide.com/healthcare/chronic-obstructive-pulmonary-disease) (COPD) and asthma are two of the most prevalent respiratory diseases.

We have the expertise to respond to these risks and lifestyle diseases by providing comprehensive, integrated care, every step of the way. And, through our Managed Care programme, we help equip our members to take responsibility for their health by providing information and education, encouraging wellness, paying for preventative care and providing cover for medical costs incurred.

However, more needs to be done and we advocate collaboration with public health authorities to educate and encourage South Africans to look after their health.'

COVID-19 AND NCDS

It is common knowledge that Covid-19 and non-communicable diseases such as hypertension and diabetes interact to create a perfect storm. The pandemic has made people more aware of having to take responsibility for their health and preventing or managing chronic disease optimally.

Co-morbidities have an impact on those who contract Covid-19 and there is possibly a synergistic issue with the coronavirus and these co-morbidities that exacerbates the prognosis and burden of disease.

MANAGED CARE

Achieving good patient health outcomes is the fundamental purpose of healthcare. Measuring, reporting and comparing outcomes is perhaps the most important step towards unlocking rapid outcome improvement and making better choices. Managed Care is a critical component and improves quality of care and we know that proactive intervention and working with members to prevent or control lifestyle diseases is the only way forward. Because when 'I' becomes 'we,' illness can become wellness.

THE GP IS PIVOTAL

We believe there needs to be coordination of care and that members should be encouraged to nominate a General Practitioner as the first port of call for all health care needs, who can refer to a specialist or auxiliary provider as the need arises. This eliminates inefficiencies caused by 'doctor hopping.'

To tackle the rising burden of disease, we need medical schemes to work together with public health authorities, particularly in the context of the challenges of urbanisation, lifestyle diseases and the Covid-19 pandemic.

Difference between a living will and a last will & testament

Juan Buys, Fiduciary Specialist at PPS Wealth Advisory

Sometimes family members face a difficult situation when a decision has to be made about a loved one in circumstances in which they are not able to make informed decisions and give their consent regarding medical treatment.

In some cases, a family can be left with enduring questions and feel of guilt after making a decision on whether a loved one should be kept on life support or not. To save your loved one from the emotional trauma of having to make that call, you can have a living Will drafted and duly signed.

This is a written instruction that outlines a person's wishes about future medical treatment. For example, if a person is in a coma and there are no reasonable chances of recovery, a Living Will could state whether or not the patient wishes to be kept alive through artificial life support or not.

A Living Will, however, cannot include directions for euthanasia or doctor-assisted suicide. It is only applicable in instances to preserve life choices. Incapacity due to illnesses such as dementia and mental health cannot be covered under a living Will. To make a Living Will, a person must be over the age of medical consent (12) and be sound of mind.

It is of importance to note the distinction between a Living Will and a Last Will and Testament. The provisions of a Living Will are enforceable while a person is still alive. The provisions of a Last Will and Testament takes effect on the death of a person. Therefore, these two Wills should not be incorporated in one document, but should always remain as separate documents, as effect is given to them at different times.

IS A LIVING WILL LEGALLY VALID AND ENFORCEABLE?

South Africa does not have clear legislation for Living Wills. However, there is an important court case (CLARKE v HURST NO AND OTHERS 1992 (4) SA 630 (D)) which can be referred to. Dr Frederick Cyril Clarke was a life member of the **SA Voluntary Euthanasia Society.**

In 1988, he suffered cardiac arrest and was reduced to a vegetative state. Dr Clarke had signed a Living Will, requesting of his family and physician that, in the event of there being no reasonable expectation of his recovery from an extreme physical or mental disability, he be allowed to die rather than live by artificial means.

His wife duly applied to be appointed his *curatrix personae*, with the power – even were this to result in his death – to authorise the discontinuance of his treatment. The Attorney-General opposed the application, arguing that Mrs Clarke was effectively asking for a declaratory order to end a life and declined to undertake not to prosecute if this should transpire.

THE VERDICT OF THE COURT, HOWEVER, DECLARED THAT MRS CLARKE WOULD NOT BE ACTING WRONGFULLY OR UNLAWFULLY:

1. "if she authorises or directs the discontinuance of the naso-gastric or any other non-natural feeding regime for the J patient"; and/or

2. "if she withholds agreement to medical or surgical treatment of the patient save such treatment as may seem to her appropriate for the comfort of the patient."

South African patients are of the view that wishes in the form of a written guideline, to refuse life-saving or sustaining therapy, will be honored in all circumstances. However, this is not necessarily the case because the South African Medical Association has certain rules pertaining to the treatment of medical practitioners to adhere to when it comes to living Wills.

In instances where there is an advance directive in existence, particular to a unique set of circumstances where the individual concerned has capacity to understand the consequences of their actions, wishes expressed in a Living Will, will have no force and effect.

A medical practitioner has to comply with the required medical standards, as opposed to adherence to the provisions of a Living Will. Many people store the Living Will in a private safe, which no one else has access to. In order for effect to be given to a person's wishes, it should, however, be a document which can easily be accessed by family members or a medical practitioner.

National Social Security Fund not the solution

John Anderson, Executive: Investment, Products and Enablement at Alexander Forbes

The Department of Social Development has released a green paper on comprehensive social security and retirement reform for 2021. We note that it is largely similar to previous proposals dating back to 2012.

In brief, the proposal is to create a centralised National Social Security Fund managed by the government. This fund intends to provide basic benefits for all qualifying citizens up to a threshold, including all employees from within the private sector. In addition, citizens can choose to top up their retirement benefits using an occupational or individual arrangement.

In practice, this means that most existing members will become dependent on the government through the National Social Security Fund for their retirement and insurance benefits rather than through an occupational or individual scheme as is currently the case. We argue that such a route may result in reduced benefit security due to a number of deficiencies in the proposed system:

IT REMOVES COMPETITION TO THE DETRIMENT OF MEMBERS

The proposal removes agency and the power of self-determination from employers, bargaining councils and unions. Currently, members benefit from the competitive pressures applied to services providers to improve service levels, innovate and control costs. The proposal would result in an effective monopoly and monopsony within the retirement funding space with no freedom of choice.

SOUTH AFRICA HAS ALREADY MADE SIGNIFICANT PROGRESS IN ENHANCING RETIREMENT FUNDING

This has been achieved through improved competition, governance, regulation, transparency, innovation and reduced costs since 2012. None of this has been factored into the paper. The reforms proposed may be misinformed by outdated data, rendering them inappropriate.

PARTICIPATION IN RETIREMENT SCHEMES IS VOLUNTARY FOR EMPLOYERS IN THE CURRENT SYSTEM

Employers have the discretion on how to structure their compensation packages in a bespoke manner for the needs of their employees. The proposal does not account for the flexibility required by different employee groups or the ability of low-income earners to afford such contributions.

THE PROPOSED SCHEME REQUIRES SUBSTANTIAL TECHNICAL EXPERTISE TO ADMINISTER

The envisaged scale benefits are therefore unlikely to be achieved. Government would need to establish new and unproven capabilities to administer the structure with little evidence to suggest greater efficiencies or service standards over existing private sector administrators. The substantial transition and opportunity costs of the new system relative to the existing framework need to be fully appreciated. Significant ambiguity still needs to be resolved on the practicalities of the approach.

THE PROPOSAL INTRODUCES UNFUNDED BENEFITS IN THE NATIONAL SOCIAL SECURITY FUND

The challenge with unfunded benefits is that these are future benefit promises being made by the government with no accumulated asset values backing them. Hence the benefit security for existing individuals would be reduced. In contrast, the benefits are fully funded for members of defined contribution funds. These funded arrangements have specific ring-fenced accumulated assets to provide the required benefits per individual member.

"Separate interventions should be thoroughly explored for the informal sector, taking the specific dynamics of this sector into account to ensure a sustainable and pragmatic solution."

IT INTRODUCES MATERIAL SYSTEMIC RISK TO SOUTH AFRICANS' RETIREMENT FUNDING ASPIRATIONS

Any failures, inefficiencies or irregularities within the centralised structure will affect all income earners. In contrast, the impact of any failure by a single entity within the current diversified retirement funding industry is limited to the clients of that entity.

HIGHER TAXES FROM CONTRIBUTING MEMBERS WOULD SUBSIDISE THE CONTRIBUTIONS OF LOW-INCOME EARNERS

Against the backdrop of South Africa's economic trajectory, existing high tax rates, the funding dilemma of NHI and discussions on the basic income grant, we are skeptical that the small proportion of income taxpayers in South Africa will be able to afford such an increase in taxation.

There are less disruptive and more effective means to improve matters further in the retirement funding industry, building on significant improvements made over the last few years.

The single biggest interventions to improve outcomes are:

- **auto-enrolment**
- **compulsory preservation of a portion of retirement savings (as proposed recently by the National Treasury, with the possible introduction of a two-bucket system)**
- **scrapping the means test for the state old age pension**

Separate interventions should be thoroughly explored for the informal sector, taking the specific dynamics of this sector into account to ensure a sustainable and pragmatic solution. To improve outcomes for retirement fund members, Alexander Forbes will continue to engage through industry bodies and directly with policymakers. **This is a matter of public interest, so please consider whether you wish to provide substantive comments on the green paper to inform the process. You may submit feedback to: GreenPaperCSS@dsd.gov.za**

Moving business from uncertainty, to limitless possibility

Renowned economic advisor Dr Roelof Botha was hosted on 17 August, in a webinar presented by the South African United Employers Organisation (SAUEO) and The Game Influencers (TGI), to offer a business intervention that intends to move business from uncertainty to limitless possibility.

During this time of unprecedented crisis, Botha draws on more than 40 years of experience to offer a bird's eye-view of the social, political and economic landscape into 2022.

Botha is an economic advisor to the Optimum Financial Services Group, a former recipient of the Finmedia Economist of the Year Award, and a regular commentator on topical macroeconomic issues. His forecasts from both a South African and global perspective, provide some level of certainty for businesses that are engaged in rebuilding, reinventing or inventing in unparalleled times of uncertainty.

KEY CHALLENGES FACING SOUTH AFRICA

In the South African context, a combination of the impact of Covid-19, coupled with the civil unrest in July has been a double blow for business. Over and above these recent dynamics, Botha began his presentation by pointing out that when looking at the macroeconomic and political scenarios, local business has to contend with a unique set of challenges. This is a decade of sub-optimal economic growth, negative political disruptions such as state capture, corruption and theft, as well as pervasive public sector incompetence, especially at municipal level. In addition, the fiscal balance is stretched to the limit, and there are infrastructure deficiencies, while reforms to economic policy are lagging. The knock-on effect of socio-economic conditions experienced by South Africans include high unemployment and income inequality.

Despite this unsettling backdrop, Botha, who considers himself as an optimist, forecast that after the unprecedented level-5 lockdown in April 2020, the economy would recover swiftly, and this was indeed the case, already within one quarter. Since then, he points out that South Africa's post-pandemic recovery is on track and that the recent unrest was merely a blimp on an otherwise positive growth trajectory.

Botha went on to specify the impact of a receding pandemic over the next 6-24 months. With respect to Gross Domestic Product (GDP), he pointed out that in the fourth quarter of 2020, South Africa's real GDP had recovered to the same level as the previous year (pre-Covid) of the previous year (deflated by the consumer price index). He also mentioned the fact that most of the authoritative economic forecasters are confident of real GDP growth of between 3.5% and 5% for 2021.

THE IMPACT OF THE PANDEMIC PRESENTS GOOD AND BAD NEWS

- The IHS Markit Composite Purchasing Managers' Index (PMI) for South Africa which monitors the services and manufacturing sectors that makes up 90% of economy, was above 50 for 9 successive months, but dipped during the July unrest. However, Botha is confident of a recovery to above 50 by September.
- The Absa/BER purchasing managers' index (PMI) was above the neutral 50-level for 11 successive months, but was then hit by the combination of lockdown and unrest in July. This index is also likely to recover to above the neutral level of 50 by September.

REGARDING THE PERFORMANCE OF THE RAND:

- The monthly average exchange rate of the Rand against the US dollar has witnessed a strengthening of 30% since early April 2020, which is one of the reasons why inflation is currently relatively low.
- -The real effective exchange rate (REER) of the Rand as at 31 July shows that the Rand's under-valuation lies between 5% and 10%, however, exporters are benefiting from this.
- Interestingly, the Rand was the best-performing currency in the world against the US dollar from April 2020 to 31 May 2021.

BOTHA HIGHLIGHTS A "V-SHAPED" RECOVERY FOR MOST OF THE KEY SECTORS OF THE ECONOMY, INCLUDING:

- The value of building plans passed by larger municipalities, as well as the value of sales of construction materials (wholesale) at current prices.
- The Afrimat Construction Index (ACI).
- The FNB House Price Index (year-on-year % change).
- The change in the average monthly value of mortgage advances.
- The JSE All share index (Alsi), which recently reached a new record high.

THE BEST NEWS FOR THE SMALL BUSINESS (SME) OWNER WHO HAS AN OVERDRAFT, MORTGAGE LOAN, AND OTHER LOANS, IS THAT:

- The prime rate is at its lowest level in decades, which has shaved off cost of capital and hopefully will stay there for some time, especially as inflation remains low and relatively stable.
- Total private sector credit extension is a point of concern, however, as it is on a declining trend, in real terms. It is strongly recommended, therefore, that the Reserve Bank should lower interest rates further, due to the important role of credit extension in the expansion of businesses.
- The real gross operating surplus for most key sectors of the economy has also recovered swiftly from the Covid-induced lockdown regulations.
- Formal employment increased in the 2 quarter of 2021, with higher skilled people benefiting the most (it should be borne in mind that every country in the world took a hefty unemployment knock due to pandemic).
- Real household disposable income has returned to positive growth.
- Real salaries and private consumption expenditure have also staged a sterling recovery from the lows of the 2 quarter of 2020.

"The point is that we will have growth and the existence of an impressive number of growth drivers suggests that the economic recovery will gain momentum into 2022 and possibly beyond."

THERE HAS BEEN HIGH GROWTH FOR TOP-5 EXPORT CATEGORIES IN 1ST QUARTER OF 2021

- The upward phase of the commodity super-cycle is still in progress, buoyed by the strong recovery being experienced by most of the world's top-20 economies. Higher commodity prices have played a major role in South Africa enjoying balance of payments stability.
- During the first six months of the year, cumulative exports increased by 53% to a level of R822 billion, raising the trade surplus to an unprecedented new record of R206 billion.
- The upward phase of the commodity price super-cycle has also delivered a huge bonus to the South African government in the form of record-breaking tax revenues from the mining industry.
- South Africa is exceptionally well-positioned to benefit from the global drive towards lowering carbon intensity in the generation of energy. The country is blessed with world-class solar and wind resources as well as abundance of land, which gives the country a head-start in designing a comprehensive and diversified decarbonisation strategy.

SOUTH AFRICA'S LEADING BUSINESS CYCLE INDICATOR SHOWS AN ALL-TIME RECORD HIGH:

- -The March index for this key indicator of future economic growth prospects stood at 121.3, a full 18% higher than the value recorded a year ago.

- The leading indicator was boosted by significant increases in the following components: value of orders in manufacturing; number of new passenger vehicles sold; average hours worked in manufacturing; price indices for South Africa's main commodity exports; and the leading business cycle indicators of South Africa's major trading partners.

THERE ARE A NUMBER OF GROWTH DRIVERS THAT BUSINESS CAN EXPECT TO KEEP POST-RECOVERY ON TRACK, WHICH INCLUDE:

- Lowest lending rates in 50 years
- Commodity super-cycle and record trade surplus
- Relatively low inflation (mid-point of Reserve Bank's target range)
- Higher levels of business confidence (PMIs)
- New record high for the leading business cycle indicator
- Paradigm shift in economic policy, emphasising growth and job creation
- Visible signs of institutional combating of corruption (including arrests)
- Pent-up demand due to pandemic
- Redevelopment opportunities due to telecommuting trend
- R340-billion infrastructure programme
- Lower levels of emigration of highly skilled people
- Demographics (the "ultimate growth driver", according to the European Union).

Botha concludes: "The point is that we will have growth and the existence of an impressive number of growth drivers suggests that the economic recovery will gain momentum into 2022 and possibly beyond.

This range of growth drivers has not existed for a considerable time in this country, as it was interrupted by a decade of public sector mismanagement and state capture.

As necessary as economic transformation is, it should be an evolutionary process, otherwise business confidence will lag behind the dire need for substantial new investment in productive capacity and employment creation."

Lockdown regulations, retrenchments, career changes and side hustles

Karen Bongers, Product Development Actuary at Sanlam Individual Life

Successive lockdowns have put myriad jobs in jeopardy, impacting everyone, from salaried workers and freelancers to business owners.

Lay-offs and retrenchments have been rife, with increased inflation simultaneously exacerbating a bad situation. With so many uncertainties impacting job security, career changes and the adoption of side hustles are not uncommon. Income protection policies are meant to protect you against the risk of not being able to work as a result of illness or injury, but have they kept up with the changing times? There are some common concerns people may have when it comes to income protection in this ever-changing world of work. When seeking or reviewing cover, these are some of the questions to ask in order to live with financial confidence.

WILL CHANGES TO YOUR OCCUPATION IMPACT THE TERMS OF YOUR COVER?

In the current environment of lockdown regulations, many people are changing careers in search of a more stable income. So, it's important to ask if you need to inform your insurer of a change in occupation and what this may mean for cover. Unlike the vast majority of insurance providers, Sanlam does not require clients to let them know about occupation changes. An example could be a travel agent who specialised in international travel pre-2020. She may choose to make a career change by starting her own business in a completely unrelated industry, to avoid the volatility and uncertainty that has become the new normal within the tourism sector. With Sanlam she will be as fully covered for her new occupation as she was for her old, irrespective of how the daily duties of her workday have changed.

It is important to provide the correct information about your occupation(s) when applying for a policy, as this determines the terms and cost of your cover, but that Sanlam does not require you to inform them of subsequent changes. At Sanlam we take the risk of future changes in your occupation on ourselves and stick to the original terms of your cover. At claim stage, our team will assess your ability to earn based on the occupation you perform at the time.

CAN YOU GET COVER IF YOU SUPPLEMENT YOUR INCOME WITH A SIDE HUSTLE?

With more people exploring temporary contracts or side hustles to supplement their income in this difficult economic climate, it is good to know that having a variable income is not a stumbling block to obtaining income protection insurance. While the appropriate cover amount for a traditional salaried employee in permanent employment is perhaps more apparent, clients such as contract workers who have variable incomes can also get cover.

ARE YOU COVERED WHEN YOU'RE BETWEEN JOBS?

Normally, clients are only covered for their occupation while they are actively working. This can prove problematic, especially in the context of the current economic environment where retrenchments are not uncommon. **Half a million South Africans lost their jobs** last year, adding to an already high unemployment rate and severely impacting income security.

> *"Half a million South Africans lost their jobs last year, adding to an already high unemployment rate and severely impacting income security."*

If a client were to become sick or permanently disabled during this time, they might not have a valid payout as they were not practicing their occupation at the time of the claim event. With Sanlam's Extended Sick Leave and Extended Occupational Disability Cover features, occupational cover is extended for a further 12 months from the time a client stops working, for any reason other than retirement, including retrenchment.

In instances where occupational cover does not apply, Bongers explains that it is imperative for an income benefit to have a strong impairment underpin to protect the client irrespective of their employment status, noting that the list of impairment claim events of the new Sanlam Income Protector range is particularly comprehensive.

CAN YOU GET COVER CONSIDERING YOUR OCCUPATION AND MEDICAL HISTORY?

Certain occupations have not qualified for income benefits in the past. Bongers says, "Sanlam's new range includes an Impairment Income benefit to cover most of these previously excluded occupations and our new Accidental Income benefits, a first in the market, can also cater for those who are not able to qualify for income protection due to their medical history, enabling the widest possible range of clients to gain access to the advantages of income protection cover."

One's income will remain one's greatest asset. At Sanlam, we remain committed to providing our clients with proper cover so that in changing times, we ensure that we keep to our promise of meeting our clients' needs.

Income protection: how COVID-19 has made its mark

Schalk Malan, CEO at BrightRock

Like other aspects of our industry, income security has been considerably impacted by COVID-19, but it can be an area of insurance that isn't given the attention it deserves. Here are a few factors that you as a financial adviser should bear in mind when reviewing your clients' income protection cover.

CLAIMANTS WHO HAD AN UNEXPECTED CHANGE IN THEIR OCCUPATION OR DUTIES

As we know, many small businesses have been forced to make changes to their operations because of the impact of COVID-19. Many start-up companies found their income was reduced significantly; a recent study conducted by FinFund, for example, found that 75% of all SMEs experienced a significant decrease in revenue from the end of March to August 2020. As a result, these small businesses have had to make some very hard choices, in some cases resulting in employees being retrenched. This also means that business owners who may have previously spent 95% of their time behind a desk, may now physically be involved in all aspects of the company, whether it be filling orders, packing shelves or doing deliveries.

With many insurance companies, this could have an effect on life insurance claims, for example, a temporary disability claim from a work accident. This is because most insurers require policyholders to inform them of any changes in occupation or their work duties after taking out their cover. Where clients are not aware of this requirement and fail to inform their insurer in time of a change in work duties, it could leave them exposed. BrightRock, however, does not require our clients to notify us of a change in occupation. We will cover existing clients whose occupation has changed after they took out their policy, even if they are doing a job that we wouldn't ordinarily provide cover for.

CLAIMANTS WHO BECAME UNEMPLOYED

Most insurers do not pay disability claims for clients who have become unemployed, even if they have continued to pay their monthly premiums. In a COVID context, this is a big problem, as more and more people are becoming unemployed precisely at a time when South Africans are more likely than ever to get sick. At BrightRock, however, we cover clients for a period of up to 12 months from the date of their unemployment. So, if you have been unemployed for a few months and something happens to you that would have rendered you unable to work had you still been working, then we would pay the claim as such, based on what you were doing and earning when you last worked. The spirit behind this position is that we believe that most clients would be actively looking for work while they were unemployed and that their situation of joblessness is just a temporary one.

CLAIMANTS WHO FIND IT DIFFICULT TO PROVE THEIR INCOME

This is another case where insurers would require policyholders to inform them of the change in their circumstances. For example, let's say our small business owner in my first example has had to close his doors temporarily. He is now doing DIY jobs to earn some income to tide him over. Should he need to claim, however, he won't be able to prove that his earnings match the income amount he is insured for. In these cases, BrightRock encourages its clients to submit their proof of income when they take out their policy, or anytime before a claim event happens. If they have done this, then we will cover them for the income amount that they are insured for, not necessarily what they're earning in their current situation. So, a businessman who was earning R40,000 a month before his company closed and is now earning R10,000 a month through odd jobs will still get a payment of R40,000 a month if a claim event happens during this period, provided he had proven his larger income to us before losing his job.

POLICIES WITH SUSTAINABLE INCREASES

Turning our attention away from the claim stage and towards policy increases, it might seem obvious to point out that during this period of economic difficulty, the last thing clients need right now is a steep premium increase. In financially tough times like these, this could result in clients having to cancel their policy as their increase is simply not sustainable, which would leave them completely exposed. As a financial adviser, a key concern is ensuring that your clients have sustainable cover that they can afford for a long period to help them weather this current storm and any future periods of uncertainty. That's why it is critical to avoid aggressive funding patterns that may initially look attractive to clients only to become unsustainable four or five years down the line, perhaps when we are in the midst of another crisis. As a financial adviser, you play an invaluable role in helping your clients navigate all of these situations and ensure they are fully informed about all the nuances that can help them claim without hassle. It's also important to advise your clients to be open with their insurance company should they fall on hard times.

As your experience has most likely taught you, insurers are usually willing to make a plan for clients who are in a phase of financial difficulty and are unable to pay their full premiums for a short period. **Encourage clients to reach out and be upfront about the difficulties they face, so they don't have to lose their cover at a time when they need it most**

INVESTMENTS

"To address these social challenges and accelerate economic growth, reforms are urgently needed, but progress is slow.."

- Robert Davy, Emerging Market Equities Fund Manager at Schroder

Does social unrest change South Africa's outlook?

Robert Davy, Emerging Market Equities Fund Manager at Schroder

Simmering social discontent, high unemployment and inequality mean reforms are urgently needed. We look at what this means for South African equities

The imprisonment of former president Jacob Zuma triggered major social unrest in Gauteng and KwaZulu-Natal, Zuma's home province, in July. Arterial transport routes linking these regions, which account for around 50% of GDP, were disrupted, while shopping centres and warehouses were attacked and looted. The government responded by deploying the military and the situation has stabilised. Over 300 people died in the violence.

These events emphasise the urgent need for reform in South Africa. The unemployment rate is close to 33%, and even higher among young people, while income inequality is extreme. Under the leadership of President Ramaphosa there has been reform progress, but it has been slow. Economic growth has shown signs of improvement but remains low. The government response appears to have stabilised the outlook, with transport connections reopened. The fact that the unrest appears to have been coordinated, and that instigators are now under investigation, suggests that stability may be maintained, at least for now. The government has taken measures to provide additional fiscal support, extending a monthly Covid-19 grant to March 2022. The near-term outlook has not changed in our view. Valuations remains attractive and reform progress is needed. However, the latest events and the risk of further fiscal deterioration only add to long-term structural challenges.

THE ECONOMY IS RECOVERING FROM THE PANDEMIC

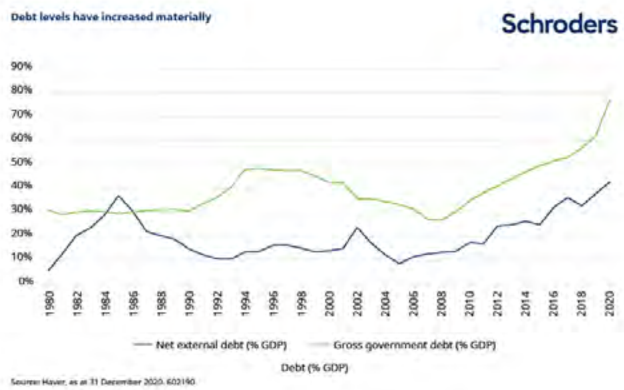
South Africa has been experiencing a third wave of Covid-19 over the past few months. This led to the re-imposition of some restriction measures as the domestic alert level was raised to 4, on a scale of 1-5 with 5 being the highest level. With cases now easing the domestic alert was lowered to level 3 at the end of June. The impact on the economy was more limited than in previous waves. The share of the population who have received at least one dose of Covid-19 vaccine remains low at 11.6%, as at 8 August 2021. This lags both developed and many emerging market peers.

The rollout will open to 18-34 year olds from 1 September – which could provide a boost to consumer confidence moving towards the end of the year. The recent resurgence in Covid, together with the ramifications of July's social unrest, will have a short- term impact, but the economic recovery was already gathering momentum. Q1 GDP growth of 4.6% was stronger than consensus had anticipated. Manufacturing PMI had been in the mid-50s for much of this year, while industrial production was rebounding and retail sales, picking up. Car sales were up 40% over the past six-months, albeit they are still 12% below 2019 levels. Commodity price strength has been a further pillar of support for exports.

Inflation has picked up, as the chart below shows, with the rebound in demand, higher energy and food prices, as well as the effect of a lower base driving the change. Headline inflation (which includes energy and food prices) could take time to ease given some supply disruption stemming from the social unrest in July. Monetary policy continues to be supportive although there is potential for a 25bps rate hike later this year, should inflation remain elevated.

THE CURRENT ACCOUNT HAS MOVED INTO SURPLUS

South Africa's economy has been fragile for a number of years due to its twin deficits (fiscal and current account deficits). In the past year, however, the current account has swung to a surplus and fiscal performance has also improved. These factors, together with sequential improvement in the political environment, have supported the rand, as the next chart illustrates.

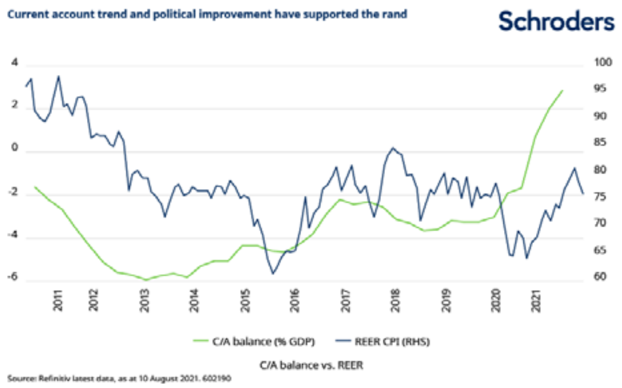


The Q1 current account surplus was the second-largest since records began in 1960. The improvement over the past 12 months has primarily been driven by the drop in demand for imports as a result of the pandemic, and the strong rally in commodity prices. The surplus may well fall as commodity prices normalise.

THE FISCAL CHALLENGE REMAINS SIGNIFICANT

Public debt levels in South Africa have ballooned over the past 12 years. The Covid-19 pandemic has only exacerbated the problem with the budget deficit rising sharply to -12.3% of GDP in 2020. Gross government debt now sits at close to 80% of GDP. Fiscal reform has been increasingly imperative for some time but is equally difficult to deliver politically. Under President Ramaphosa, there has been greater reform focus, but the pace of change has been slow, perhaps necessarily so, due to a lack of broad support within the ruling African National Congress Party. The scale of reform required remains significant.

For example, heavily indebted state-owned power company Eskom generates most of the country's power supply, but poor management and a lack of capital investment over the past ten years has resulted in frequent breakdowns. As a result, the country faces ongoing load shedding, or blackouts. Recent reform which allows companies to generate up to 100 times the existing threshold for power generation is incrementally positive but does not resolve the main issue of Eskom's inability to provide reliable electricity to the economy.



In response to the social unrest, the government has increased an existing Covid-19 grant to March 2022. This is estimated to cost an additional R27 billion. President Ramaphosa is also weighing up the feasibility of introducing a permanent basic income grant. This could add upside risk to the government debt burden, particularly as commodity prices normalise. Public sector wage negotiations, which have been ongoing for several months, recently reached agreement on an effective 5% increase (including monthly cash bonuses). The deal covers the next 12 months, meaning that fresh negotiations will be required in 2022.

THE POLITICAL ENVIRONMENT HAS IMPROVED BUT REMAINS FRAGILE

President Ramaphosa's position has been strengthened in recent months, with his appointees gaining greater control within the ANC. For example, Secretary General Ace Magashule, from a more radical faction of the ANC, was suspended earlier this year, pending the outcome of a corruption charge. However, July's social unrest has cast a shadow over the reform outlook, not least because it will require additional fiscal resources. President Ramaphosa has moved to reshuffle his cabinet. The key change was the appointment of a new finance minister after Tito Mboweni stepped down. He was replaced by Enoch Godongwana, head of the ANC's economic transformation committee, who is well known to markets and is closely aligned to President Ramaphosa. Ramaphosa also abolished the security ministry and moved oversight of intelligence to the presidency as well as changing the health minister.

EQUITY MARKET VALUATIONS ARE ATTRACTIVE

Looking at the equity market, valuations are attractive with the MSCI South Africa Index trading on a forward price-earnings ratio of 9.7x, well below the 12.4x average of the last 15 years, and relative to 13.7x for the broader MSCI Emerging Markets Index. Valuations of domestic stocks in particular remain compelling. Although the market is cheap in aggregate, it is important to note that a significant proportion of the MSCI South Africa Index is comprised of cyclical stocks.

Return-on-equity is improving, both in absolute terms and, as the chart below shows, relative to wider emerging markets. We continue to see a recovery in earnings-per-share across a number of sectors. In addition, capital allocation from management teams is improving.

NEAR-TERM OUTLOOK UNCHANGED, BUT LONG-TERM STRUCTURAL CHALLENGES REMAIN

July's social unrest has not changed our near-term outlook for South Africa. While it will have a short-term impact on the economy, the government's response has stabilised the situation and growth should continue to recover post-pandemic. Monetary policy remains supportive and there has been an improvement in both the current account and fiscal positions. Equity valuations are attractive, especially among domestic stocks.

However, as the events of July revealed social discontent simmers just beneath the surface; unemployment remains high, as does inequality. The economy faces long-term structural challenges, not least of which is still-low economic growth that is further hampered by unreliable power supply and significant government debt levels. To address these social challenges and accelerate economic growth, reforms are urgently needed, but progress is slow.

How offshore exchange traded funds add value

Marc Krom, Regional Manager at Glacier International

An exchange traded fund (ETF) is a type of security that tracks an index, sector, commodity, or any other asset. It offers cost-effective access to indices across various industries and geographies.

Marc Krom, Regional Manager at Glacier International explains how ETFs – available on Glacier International's platform – bring you into the realm of global investing, with the added advantage of simple administration, saving you time, effort and costs.

OFFSHORE ETFS OFFER WIDE CHOICE BEYOND OUR BORDERS

Whether you're a small or large investor, says Marc, ETFs can be a good investment vehicle if you're looking to broaden the diversity of your portfolio without the time, effort and skill it takes to analyse hundreds of individual stocks or markets.

Offshore investing offers access to markets with different growth cycles to the local ones. There are 11 sectors offshore to choose from compared to South Africa's primary three – resources, financials and industrials.

CUTTING THE RED TAPE

We've taken the heavy lifting out of the process for investors, says Marc. Traditionally, to include an ETF in your portfolio, you'd need to open a custody or stock broking account to place the order.

Glacier International has enabled access to a wide range of ETFs that can be purchased directly off its platform. With no additional custody accounts required, this creates a simple and cost-efficient way of adding global ETFs to your portfolio.

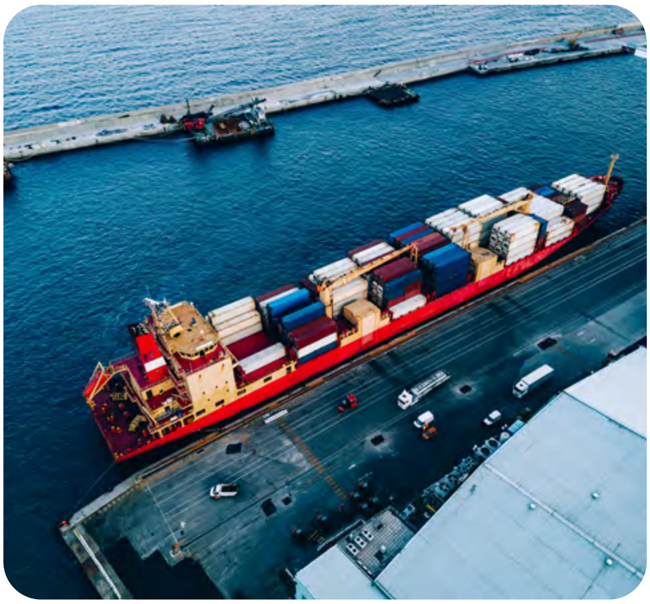
SEVEN REASONS WHY AN ETF IS A SMART ADDITION TO YOUR INVESTMENT PORTFOLIO

We know that investors are continually looking for simple, cost-efficient ways to enhance their investment portfolios both locally and abroad, so an offshore ETF offers:

1. Transparency: ETFs show every security currently in the fund, so that you know exactly what you own.

2. Flexibility: ETFs provide exposure to enhance your core portfolio as well as your tactical investment strategy.

3. **Cost-effectiveness:** ETFs often have lower expense ratios compared to other investment vehicles.



4. Liquidity: ETFs are listed on exchanges and can be traded at any time.

5. Diversification: ETFs offer a single source of instant exposure to returns from diverse securities.

6. Access: ETFs are available directly on the Glacier International platform with no additional paperwork and fees required to open custody accounts.

7. Tax efficiency: Capital gains tax is limited as the trading of the underlying portfolio of securities does not incur capital gains tax as would be the case if each of the securities was held independently by the investor.

Before you decide to invest in an offshore ETF, says Marc, start by determining the appropriate offshore portfolio to meet your investment objectives. Your appropriately authorised financial adviser is well-placed to determine the best solutions based on your requirements. As with all financial planning, unless you're a skilled, qualified expert, decisions about investing and the vehicles to opt for, should be made with your adviser.

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Weighing up the current attraction of cash investments

Mabule Setoaba, Investec

In times of low interest rates, it's important to understand what risks investors are taking on by seeking additional yield. Despite the low rate environment, placing cash with a reputable institution can help investors achieve their goals.

Recent events in the market have highlighted some of the issues investors need to think about. In particular, falling interest rates have eroded the attraction of many cash investments.

After a few years in which one could earn better returns on a cash product than in the equity market, investors in cash products have had a tough time over the last year. A three percentage point cut in the repo rate since the start of the pandemic, combined with a sharp rise in inflation have further reduced some of the attractions of bank deposits. This presents a potentially major problem for investors who live off the proceeds of their cash investments and who are, at current rates, earning a below-inflation return. While some will switch to riskier assets, the volatile equity market may not appeal to those at certain life stages (not to mention other extremely volatile assets, like cryptocurrencies).

THE DANGERS OF "REACH"

Many cash investors will look towards products like money market funds or income funds to fill the gap. These funds will often offer what appears to be a higher rate than cash deposits, providing that "reach" for yield that they require.

Despite perceptions, money market and income funds are not without risk. To earn an attractive yield, the fund manager will invest across a blend of fixed and floating rate paper, in a diversified portfolio of instruments issued by banks, corporates and the government. Investors in these funds thus face the risk of some capital loss if one of the issuers defaults.

It should be noted that when placing money in a bank deposit with one of SA's leading banks, that the risks are not zero either. However, investors can draw considerable comfort from two sources. The first is capital adequacy. Since the Global Financial Crisis of 2008, banks around the world have been required to hold more capital across a range of assets. While SA was little affected by the crisis, local banks have followed the approach of their global counterparts. The end result is that SA's leading banks are very well capitalised, making the risks of default extremely small.

A second reason is the likely introduction of a deposit insurance scheme, which will protect private depositors in the event of a bank default or insolvency event. The Financial Sector Laws Amendment Bill, which includes the creation of such a scheme, was presented to Parliament in March.

KEY QUESTIONS

In addition to fully understanding the risks investors are taking on when choosing the different products, there are a few other questions worth asking, such as:

Is there a trade-off between interest rate earned and accessibility? Often a higher rate is offered on a deposit in return for the funds being locked up for an extended period. Other deposits have notice periods of 30 or more days, before the investor can enjoy access. It's wise to consider accessibility before being drawn into a higher rate. Even then, it's worth looking around to see where a decent rate can still be found on products that offer easy accessibility.

"it's also important to work with a bank or financial institution that can innovate and be flexible in providing cash investments that work for both intermediaries and investors."

Leading from this, **how flexible are the options?** Investors will be attracted by features that work in their favour, such as no minimum or maximum balances, the ability to increase the amount invested and so on. Investors may also want to earn interest for each extra rand deposited. They may also want to choose between receiving the interest earned or reinvesting it. These features make it worthwhile to look closer at each offering.

Is there a role for a foreign exchange cash deposit? Deposits in US dollars, euros or pounds may seem appealing, but as the last year has shown, there are periods in which the major currencies depreciate against the rand, while in most of these currencies, the rates are even lower than the rand. An offshore currency deposit does make sense however, where there are commitments overseas, for example school or university fees in those currencies.

Can you manage your after-tax return expectations? As noted above, rates are at multi-year lows, making returns look a lot less attractive when compared with returns in equities, for example. Investors will need to align expectations when choosing a cash investment of any kind, while also understanding the risks behind the higher yields that may be out there in the market. In answering the above questions, it's also important to work with a bank or financial institution that can innovate and be flexible in providing cash investments that work for both intermediaries and investors.

In conclusion, while a low interest rate may make life uncomfortable for investors who rely on bank deposits for their income, there's no reason to turn away from cash. Cash remains an accessible way to preserve capital in a volatile market and as such, has a key role to play in any portfolio.

Asset allocation: the underlying driver of returns

Anil Thakersee, Executive: Marketing & Business Development at PPS Investments

When investing, you do so with the intention of achieving your required investment outcomes.

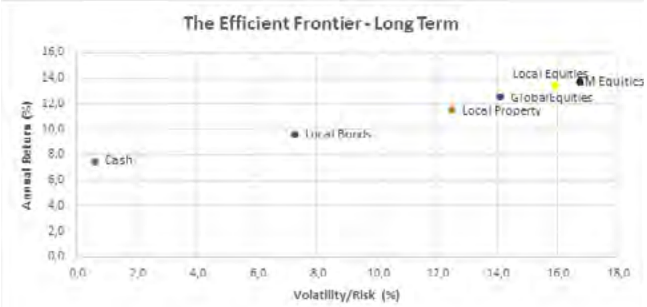
While there are several factors that can contribute to, or detract from, performance, the underlying asset allocation of your investments is the large lever impacting both risk and returns delivered by any portfolio. Asset allocation as an investment strategy is based on the empirical studies focused on how each asset class performs and correlates relative to each other. Let's look at the asset classes typically used for investments, what asset allocation means and the process employed.

ASSET CLASSES EXPLAINED

Broadly speaking, there are four main traditional asset classes that money can be allocated to when investing. These are cash, bonds, property and equity. Each asset class has different levels of risk and reward, investment time horizon and protection against inflation, which are explained as follows:

- **Cash:** investments linked to interest-bearing bank instruments, such as call deposit accounts or money market funds. This asset class is lower risk, and works best for short-term goals (typically one year or less). The performance of this asset class is directly linked to interest rates.
- **Bonds:** interest-bearing loans issued by government or corporates. This asset class is a low- to medium-risk category with medium- to long-term investment time horizon (5 - 10 years). The risk associated is linked to the issuer being able to pay returns (honouring the bond agreement), prevailing interest rates potentially being higher than the rate of return of the bond, and inflation reducing the real interest that an investor may receive.
- **Property:** linked to listed property companies and property investment companies. This asset class is a medium- to high-risk category, with a medium- to long-term investment time horizon (5 - 10 years). These investments are generally adversely affected by interest rate increases and are impacted by the macroeconomic environment of the country.
- **Equity:** the high-risk, high-reward asset class. Investors own a share in the listed company that they are invested in. You are directly impacted when there are profits or losses in a company and investors are subject to stock market movements on a daily basis. Equity is considered a long-term investment (7 - 10 years or more), due to the volatile nature of this asset class. Your capital may not be guaranteed, but there is no ceiling on the returns. As an asset class Equity has generally produced higher returns for investors over the long run, however this asset class has also historically produced high levels of volatility.

The table below looks at the risk and return outcomes for the core traditional asset classes over the last 20 years, showing the risk-return trade-off achieved through asset allocation.



Source: PPS Investments

Another important factor to consider is what country this asset class invests in. If the asset class invests mainly outside of South Africa, the return will be significantly impacted by sharp moves in the local currency.

Therefore, offshore returns when measured in Rand are not just impacted by the underlying investment performance but also by movements in the Rand relative to the currency of the underlying investment. A typical balanced fund, for example, will have exposure to both local and global assets.

WHAT IS ASSET ALLOCATION?

Asset allocation is the process of dividing an investment portfolio between different types of asset classes, such as stocks, bonds and cash, as well as choosing the right mix of asset classes while constructing the portfolio with the intention to minimise investment risks and maximise growth potential or enhance returns.

There are two common approaches to asset allocation, strategic and tactical asset allocation. Strategic asset allocation (SAA) is the long-term focus of the fund and is considered the most likely approach to achieve the fund objective. Tactical asset allocation (TAA) uses techniques to improve risk-adjusted portfolio returns by taking advantage of short-term opportunities and aims to maximise short-term investment strategies.

Over the long-term, a portfolio's SAA will be the main contributor to achieving its return and risk objectives. These returns can, however, be enhanced through short-term TAA, where we seek to take advantage of temporary mispricing across the asset class spectrum.

WHAT IS THE ASSET ALLOCATION PROCESS?

To illustrate this concept in action, let's look at the approach that our investment team employs in terms of our asset allocation. When taking an asset allocation view, we remain committed and patient, allowing it time to play out. At the same time, we remain agile and open to re-evaluating these views as new information arises. When assessing tactical asset class opportunities, we adopt a 12 to 18-month view which, together with our underlying manager alpha estimates, builds on our baseline strategic asset allocation (SAA) return assumptions when we construct portfolios.

We believe that a portfolio's SAA will be the main contributor to achieving its return and risk objectives over the long term. Returns can however be enhanced through short-term tactical asset allocation (TAA), where we seek to take advantage of temporary mispricing across the asset class spectrum.

House view meetings are held regularly to determine the positioning that informs TAA shifts relative to a portfolio's long-term SAA.

Multiple inputs from various internal and external sources inform the debate around adjusting asset allocation. These inputs are distilled into three key areas for each asset class: fundamental valuation, macroeconomic backdrop and price momentum.

ACCESSING SOLID ASSET ALLOCATION CAPABILITIES

The PPS Investments Multi-Manager fund range is designed to provide different levels of risk-adjusted returns calibrated through the underlying asset class weightings, which are built into the investment framework. This significantly enhances our ability to consistently deliver returns that meet the required investment outcomes.

FINANCIAL PLANNING AND ASSET ALLOCATION

It is important to note that it is the financial planning process that determines the required return outcomes and then seeks to match that requirement with an appropriate investment solution. The benefit of reviewing your financial plan, as your required outcomes change, helps to ensure that the underlying asset allocation is still aligned to your required investment outcomes.

CYBER INSURANCE

"Cyber insurance will reduce the overall cost of managing business risks"

- Clyde Troup: Head of Underwriting at Discovery Business Insurance

Cyber insurance, and defence against cyber-attacks essential

Clyde Troup: Head of Underwriting – Discovery Business Insurance

Cyber theft and cyber attacks constitute the fastest growing crimes globally and cost the economy greatly. In 2013, SA lost over R2.2 billion to internet fraud and phishing attacks.

Fast forward to 2020, ransomware hit record highs. Fast forward to 2021, and the effects of the global COVID-19 pandemic, combined with the increase in the value of cryptocurrency, drove ransomware to a staggering 62% of all cybercrimes. Cybercriminals have always been opportunists, and the COVID-19 pandemic offered more evidence of this than ever. Malware attacks, encrypted threats, intrusion attempts, crypto-jacking attacks, ransomware attacks, and IoT attacks are modern realities that businesses face every day, particularly in a work-from-home environment. Individuals and organisations operating on the web live in fear of potential phishing attacks, hacking scenarios and data breaches. Phishing attacks are now highly localised, geo-targeted, and more personalised—about 32% of data breaches involved phishing activities. Aside from financial losses, such forms of cyber-attacks can lead to reputational damages as well. Consumer data, when compromised, can subject businesses to sanction under regulations such as POPIA, and can result in costly settlements.

Half of these cyber attacks target small businesses that usually don't have sufficient cybersecurity measures to protect themselves from such threats. Phishing attacks are currently the most pervasive security threat to the IT sector, with many still falling victim to phishing emails. One in every eight employees shares information on a phishing site (Security Boulevard, 2020). This being the case, businesses are starting to adopt and invest in comprehensive security awareness programs.

CYBER INSURANCE

help your business to survive cyber incidents by managing and insuring cyber risk

From a risk point of view, it needs to be noted that the exposures and related solutions, protections and products are continuously evolving. Knowledge of the insurance products available in the market can be confusing and it's thus important to engage with specialists to get the correct and most appropriate advice. To understand the unique risks that each client is facing as well as their specific cyber insurance requirements, Discovery Business Insurance engages via the intermediary to gather client-specific information pertaining to Cyber risks and put the appropriate risk mitigation in place.

Some of the underwriting requirements that would be considered include IT Security protections, the number of staff who have access to systems, password policies, server protection, access to Virtual Private Network (VPN) and security patch policies. These factors would be taken into consideration to determine the terms and conditions that should apply, as well as the premium rate to be charged for the risk.

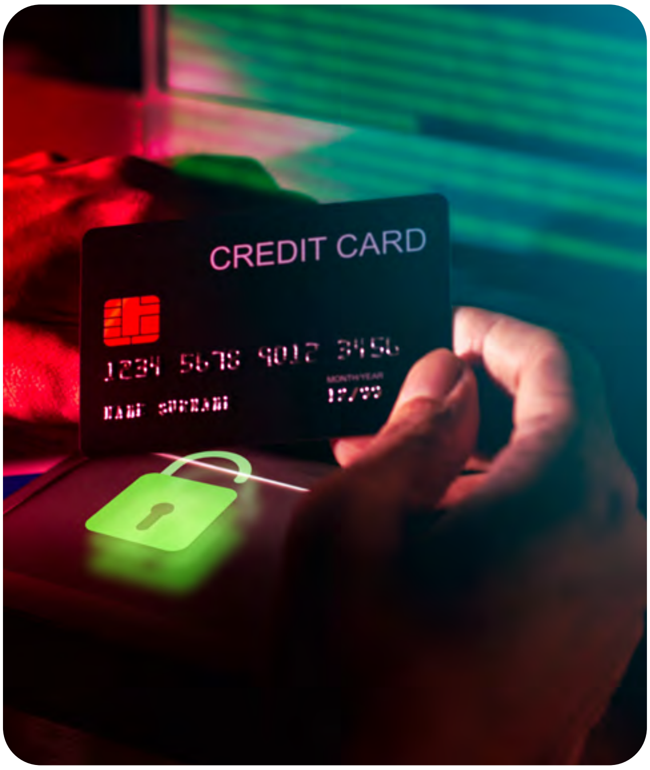
Discovery Business insurance has also partnered with AVeS Cyber Security to assist with the provision of the most innovative cyber risk management on the market, tailored to 21st-century businesses. CEO of AVeS, Charl Ueckermann, says risk mitigation is about having a integrated approach by looking at people, business processes, technology and culture, with cyber insurance being a risk management tool. People should view their cyber insurance policies as part of their broader risk management strategy.

We now provide access to numerous cyber solutions which will simplify and improve the client's cyber journey. At Discovery Business insurance we understand that "every second counts" and clients get access to protection packages at discounted rates. This will help them manage their cyber risks and enable fast and effective recovery following a cyber incident.

In the unfortunate event of a cyber-attack, we protect the client's business against losses they suffer (first-party losses) as well as losses suffered due to the client being legally liable to a third party (third-party losses). First-party cover includes cover for loss of data, data recovery, business interruption (optional), reputational risks (optional), ransom costs, and other legal costs. Third-party cover includes legal liability costs and legal defence costs.

AVeS Cyber Security also offers a self-assessment where companies can assess their business against POPIA's requirements at their own pace and time. Companies will get a POPIA readiness score with a detailed findings report.

Cyber insurance will reduce the overall cost of managing business risks. It also reduces the likelihood and size of business disruptions and POPIA fines. It will improve the business's ability to recover from cyber incidents faster.



Cyber insurance, the intangible becomes tangible

Ryan van de Coolwijk, iTOO Product Head: Cyber

Cyber-crime has surged fourfold since the start of the government ordered lockdowns to curb Covid-19.

From credential theft to phishing and ransomware, hackers of all skill levels have looked to cash in and have done very well for themselves. Companies of all sizes are exposed, cyber-crime is not purely a corporate problem, we have seen many small companies affected too. Smaller companies face the challenge of limited budgets and hiring skilled personnel from a small generally expensive talent pool. As a result, many use outsourced providers, alas not all providers are created equal and sometimes you get what you pay for.

RANSOMWARE GROWS UP

Ransomware has surged in terms of frequency and sophistication over the past year. 2020 saw the rise of the industrialised ransomware teams with established organizational structures to ensure the efficiency not only of conducting their attacks, but also client engagement teams to provide world class service for fast and efficient collection of funds.

While law enforcement agencies globally work to bring down these ransomware organisations and are at times successful, as was the case with Netwalker who were regularly successful in during 2020 in South Africa, new ransomware organisations often with members from old organisations are continually cropping up. The incentive schemes in these are such that key individuals can become multi-millionaires overnight from the comfort of their homes.

Double extortion ransomware has come to the fore, whereby attackers first steal data from their victim before encrypting their environment. This increases the attackers ransom payment leverage and significantly increase the impact to the victim who is now faced with paying not only to decrypt their data but also not to have sensitive data published or sold. This has seen a dramatic increase in ransom demands, regularly into the 10's of millions.

THE THREAT IS REAL

Among this heightened cyber activity, we have seen 0-day vulnerabilities on widely used platforms being leveraged for large scale compromises at breakneck speed leaving security teams under pressure to apply critical patches as quickly as possible. Notably Google Chrome, Solarwinds, Fortinet VPN and more recently Microsoft Exchange on premise, all of which had to urge their clients to take quick action to patch vulnerabilities. Industries in virtually all segments have become increasingly vulnerable as their perimeters extend to employees' homes to support remote and distributed workforces. Patching across the environment along with training and awareness remains critical, perhaps now more than ever before.

The Covid-19 enforced work-from-home environment and social distancing has resulted in increased online spending, encouraging companies to explore online sales and customer engagement models. For many this is unchartered territory, resulting in companies opening and exposing their environments and services, generally on limited budgets and at breakneck speed (not always with much consideration to security) to reduce the lockdown financial impacts and beat competitors to market. This has the natural result of increasing risk exposures and eliciting the interest of hackers.

As lockdown measures and economic pressures continue globally, we are likely to see a continued upwards trajectory in cybercrime. For many looking to find a source of income or feeling disenfranchised cybercrime becomes an attractive and lucrative option.

"Cyber insurance needs to mature and evolve from being purely an insurance purchase to an integrated part of a cyber risk management strategy bringing together underwriters, security partners, risk managers, brokers, and clients."

This should be a stark warning to companies of all sizes to be vigilant in securing their networks from this evolving threat.

MANAGING THE EXPOSURE

Companies are not alone in needing to adjust their thinking to deal with the changing risk landscape. Underwriters around the world have the challenge of ensuring the ongoing viability of their cyber insurance portfolio.

These challenges call for increased collaboration between risk managers, underwriters, brokers, and clients, opening a platform for underwriters to better share risk and trend insights for clients to mitigate against and for underwriters to better understand the client environment and underwrite accordingly. Industry expert underwriters is not new to the insurance industry and with the specialist nature of cyber security, it stands to reason that there is value in having cyber underwriters with a strong cyber security understanding.

Cyber insurance needs to mature and evolve from being purely an insurance purchase to an integrated part of a cyber risk management strategy bringing together underwriters, security partners, risk managers, brokers, and clients.

The days of simple tick box proposal forms are numbered and more automated solutions with greater insights and continuous monitoring should be sought out.

The digitisation of organisations and online client engagement is set to continue, opening more opportunities for hackers. The cyber risk landscape will continue to become treacherous necessitating a change in mindset and cooperation to battle against the evolving cyber risk landscape.

Cyber insurance spells risk and opportunity

Thokozile Mahlangu, Chief Executive Officer at the Insurance Institute of South Africa

While the past two decades have seen a steady evolution in the frequency and sophistication of cyberattacks against businesses and individuals, the outbreak of the global COVID-19 pandemic last year resulted in a significantly increased attack surface for cybercriminals to exploit.

In effect, the "new normal" ushered in by the pandemic has forced companies to accelerate their digital transformation journeys, with remote working creating an attractive target of mass attacks, as companies and employees scrambled to implement remote applications, networks and systems. With businesses across the globe increasingly relying on digitally-enabled platforms, hackers wasted little time to take advantage of the situation, with **research** predicting that cybercrime is expected to inflict damages totalling $6 trillion across the globe this year alone.

The top pandemic-related cyber scams that caused business disruptions in 2020 include information-stealing scams, malware and ransomware attacks, vulnerabilities related to working from home and websites selling fake products, including coronavirus remedies and personal protective equipment. The impact of cyberattacks has also been exacerbated by the introduction of regulatory frameworks and legislation that govern the handling and storage of customer data, such as South Africa's recently-introduced **Protection of Personal Information (POPI) Act** and the **Cybercrimes Act**.

Thus, regulatory penalties and consequences for not protecting critical data have grown significantly in recent times, meaning that a data breach could potentially put a company out of business. Unsurprisingly, this spike in cybercrime is creating a new market for insurers as traditional cybersecurity solutions are not always effective to stop bad actors from delivering increasingly complex and targeted attacks.

According to corporate law firm **Michalsons**, companies must take proactive steps to comply with cyber laws as a means to mitigate risks (including privacy-related legal risks). However, insurance can also be an effective way of managing some of the risks. However, the characteristics of cyber events, including a limited loss history, the unreliability of past data when predicting future events, as well as the possibility of a large-scale attack where losses are highly correlated across companies and/or industries, make it difficult to write comprehensive policies. Hence, while cyber insurance is considered a major emerging

opportunity for the insurance industry, there are a number of risks that must be taken into account by underwriters, brokers and clients. These include the increasing frequency of cyberattacks, the difficulty in pricing for the risks and the fact that existing policies, including liability and property policies, may be invoked to pay claims which have never been priced before. Another dimension to consider is that as technology continues to grow in capacity, advances in areas such as artificial intelligence, quantum computing and the internet of things are also creating major risk exposures.

Insurers will ultimately have to determine whether to insure cyber risks to physical damage or intangible assets only. For instance, the advent of self-driving cars, pilotless ships and smart buildings are exciting, but also create attractive targets for hackers. Yet, while cyber threats are affecting all aspects of life and cyber security issues are becoming a day-to-day struggle for most businesses, cybersecurity insurance is till an emerging industry.

Organisations that purchase cybersecurity insurance today are considered early adopters. This then means that all insurance professionals, whether directly dealing with cyber insurance or not, need to learn the basics of cyber insurance, according to the UK-based **Cyber Insurance Academy**. For example, insurance brokers must learn how to explain coverages, endorsements, exclusions and the services provided by the insurance company. They need to be able to explain cyber threats, exposure, and security gaps, quantify risk and help choose the appropriate liability limits and payable excess. Underwriters must know how to perform cyber due diligence, analyse security exposures and risks, and assess the current security posture, as well as determine premium prices and capacity based on the insurer's risk appetite.

Claims Professionals form part of the response team when a cyber-attack occurs, and need to have a depp understanding of the cyber insurance policy and its coverages. They must assess the incident and how it relates to the policy terms to make claim payment decisions.

Lastly, Risk Managers must learn to identify and analyse the financial impact of cyber threats to prepare risk management and insurance budgets. They must be able to quantify risk and help choose the appropriate liability limits and excess fees.

As mentioned, cybersecurity insurance is relatively new, so expect policies to vary significantly from one provider to the next. However, when choosing a policy, companies should closely review policy details to ensure that they contain the necessary protections and provisions, as well as protection against known and emerging cyber incidents and threat profiles.

Why cyber risk is the top concern for financial services industry

Cyber Insurance Expert Santho Mohapeloa, AGCS

Analysis of $1bn worth of insurance industry claims shows that cyber incidents are the top cause of loss for financial services companies over the past five years and the cyber risk landscape isn't going to get any easier moving forward.

The sector faces a wide range of challenges ranging from Covid to compliance to the cloud, to name just a few, as a new report from Allianz Global Corporate & Specialty (AGCS) highlights. Cyber security experts warned of a perfect storm for financial institutions as Covid-19 led to a rapid and largely unplanned increase in homeworking and electronic trading and this duly materialized.

Attacks against the financial sector were reported to have increased by well over 200% globally from the beginning of February 2020 to the end of April 2020, with some 80% of financial institutions reporting an increase in cyber-attacks, according to security firm **VMware**. Weaker controls and oversight, laxer security in the home office and the greater likelihood of employees falling victim to scams while working remotely were just some of the reasons cited behind this dramatic rise.

Recent months have also seen a number of major global cyber-attacks that have impacted the financial services sector. In December 2020, the Orion system of information technology firm SolarWinds was compromised, affecting about 18,000 customers. In March 2021, attacks saw vulnerabilities in Microsoft Exchange servers being exploited to allow malicious code to be placed on them which could be used for ransomware, espionage or even misdirecting the system's resources to mine for cryptocurrency on behalf of criminals.

The fact that financial services companies typically feature in the top five sectors for severity and frequency of cyber-attacks is unsurprising. These companies hold a lot of sensitive data on individuals, businesses and governments. At the end of the day, it is where the money is.

Cyber is an existential issue for financial institutions, which is why they invest heavily in cyber security. However, with such potentially high rewards, cyber criminals will also invest time and money into attacking them. **For example, the Carbanak and Cobalt malware campaigns **targeted** over 100 financial institutions in more than 40 countries over a five year period, stealing over $1bn.

REGULATORS GET TOUGHER

At a time when financial institutions are becoming more reliant on technology and data to provide products and services to customers, they increasingly face a challenging regulatory environment. In many parts of the world, firms face a growing bank of regulation, including evolving data protection and privacy rules, as well as cyber security requirements.

In particular, there has been a seismic shift in the regulatory view of privacy and cyber security. Where regulators previously looked to incentivize firms to invest in cyber security, they now see it through the lens of consumer rights and data privacy. With the General Data Protection Regulations (GDPR) in Europe and the Protection of Personal Information Act (POPIA) in South Africa, companies now need to operationalize their response to regulation and privacy rights, not just look at cyber security.

"Training and technology can help minimize human error. Employees are the first line of security and defense. The human factor can make or break an organization's cyber security position, and often its reputation."

The consequences of data breaches are far-reaching, with more aggressive enforcement, higher fines and regulatory costs, and growing third party liability. Under the GDPR, the number and value of fines for data and privacy has been growing while jurisdictions around the world have been introducing stricter data laws. Increasingly, breaches and regulatory actions are followed by litigation. A data breach at Capital One bank in 2019 – one of the largest-ever – resulted in an **$80mn fine** and a number of lawsuits by affected customers.

RANSOMWARE ATTACKS ON THE RISE

Ransomware attacks continue to increase in frequency and severity, with ever larger ransom demands. Ransomware attacks were up nine fold between February and end of April 2020, according to **VMware**.

A recent development has seen hackers steal sensitive data and threaten to publish it online if ransoms are not paid. US lender **Flagstar Bank**, for example, suffered a ransomware attack in early 2020 that saw hackers post personal details online in an attempt to extort money.

"FAKE PRESIDENTS" AND ATM "JACKPOTTING"

With many employees working from home and under increased stress, Covid-19 has created opportunities for cyber criminals to carry out various scams and cyber-attacks. The US Federal Bureau of Investigation (**FBI** received over 28,500 complaints related to Covid-19 cyber-crime alone in 2020. Business email compromise (BEC) attacks, also known as "fake president" attacks, are a particular problem for financial institutions that make large numbers of high value payments on behalf of their customers. The cost of BEC attacks reached $1.86bn in 2020, accounting for almost half of all reported cybercrime losses.

THIRD PARTY SERVICE PROVIDERS CAN BE THE WEAK LINK IN THE CYBER SECURITY CHAIN

One of the largest and most sophisticated cyber-attacks of the past year, the SolarWinds incident, was a supply chain attack. Hackers accessed SolarWinds' network and injected malware into its management software in order to target thousands of organizations, **including banks** and agencies. The SolarWinds breach is an **important reminder** of the potential vulnerabilities of the financial services sector to cyber-attacks and outages via their reliance on third-party suppliers and service providers, over which they have little or no control when it comes to cyber security. Most financial institutions are now making use of cloud services-run software to access additional processing capacity, as well as for IT infrastructure or to carry out certain processes, such as fraud detection or analytics.

On the one hand, cloud providers are developing tools to help organizations manage and mitigate their cyber risks, yet a growing reliance on a relatively small number of cloud providers, and an opaque cloud infrastructure, is creating potentially large and systemic risks

How financial institutions manage risks presented by the cloud will be critical going forward. They are effectively offloading a significant portion of cyber security responsibilities to a third-party environment. Your cloud service vendors can become your exposure.

RISK MITIGATION BEST PRACTICE

Cyber-attacks often include a human element, where employees, contractors or even customers are unwittingly complicit in incidents. When talking to clients, they say cyber is the number one concern of every C-suite executive. In particular we see growing concern for the human factor. Just one click on a link or a download can lead to a costly ransomware attack or a data breach, with reputational damage and loss of data.

Training and technology can help minimize human error. Employees are the first line of security and defense. The human factor can make or break an organization's cyber security position, and often its reputation. Those that are well trained can significantly reduce the impact of a breach or even prevent it from happening. Employees should be regarded as part of the cyber security team, and, as such, there should be a corresponding investment in their training and education.

The same applies to top management, who should periodically rehearse scenarios in order to prepare and respond to a major cyber incident - building resilience and business continuity planning is absolutely key to reducing the impact. Cyber security goes right up the chain. Companies should consider taking the opportunity to carry out a desktop exercise with their insurer and broker, and include key internal and external stakeholders. This builds trust and can take the sting out of any crisis.

The complex task of managing cyber risks

Sizwe Cakwebe, Cyber Risk Manager at SHA Risk Specialists

The scourge of cybercrime has risen exponentially over the past decade, and if the last few years have taught us anything, it is that no business – big or small – is safe from attack.

The rapid increase in online spending and the work-from-home environment has exposed many weaknesses for cyber criminals to exploit. There has been a significant uptick in ransomware attacks over the past 12 to 18 months with 24% of South African companies falling victim to these attacks **Statista.com**. In SHA's 2020 Annual Risk Review, it was reported that 19% of respondents suffered some form of ransomware attack, on average, each ransom was for around R50 000. Most of the respondents in this survey were SME's, hence the relatively low ransom amounts.

Anybody that follows the news will have seen the ransom demands for millions of rands in multiple recent high profile cases. Cakwebe highlights a new trend that has emerged in the cyber-risk landscape that could help focus risk management within companies. Over the past 12 to 18 months, we have noted a significant spike in the number of queries regarding a particular type of cyber-attack that results in the change of supplier, contractor or vendor banking details and subsequent payment to an incorrect bank account. Generally, this starts off as a phishing attack (targeted at a company secretary or specific admin person) with a more sinister intention of compromising a high-ranking executive's business email account.

This trend clearly demonstrates one of the biggest weaknesses inherent in most companies' cyber security strategy. The human element has always been the flaw within a computer system or cyber security controls. Cyber security control mechanisms will always do what they are configured to do. It is the misconfiguration by humans, or the circumvention of secure processes that bring about vulnerabilities. Humans are fallible and the systems, processes and applications developed by us often encompass those same weaknesses.

THERE ARE TWO SOLUTIONS THAT CAN ADDRESS THESE VULNERABILITIES:

1. Professional services companies should purchase a Professional Indemnity (PI) policy to protect themselves against potential liability suits in the event that they "misconfigure a firewall" which results in a subsequent hack.

2. Educate employees and contractors on cyber security and their role in protecting the organisation's physical and information assets. The rapidly escalating ransomware risk is major concern for the industry. Once again, this is a risk that is affected by the human element. It encompasses elements of data exfiltration and data encryption, and how those seem to play out within the market. A key challenge concerning ransomware attacks, is the accumulation of risk exposure that insurers face. Firstly, a single ransomware attack can trigger multiple areas of a single policy. Then, the widespread nature of attacks has the possibility of affecting large groups of businesses simultaneously and this can create a conglomeration of losses.

This has resulted in a number of insurers withdrawing from providing ransomware cover within their cyber policies. We see this market trend worsening potentially resulting in this cover element becoming obsolete within the near future. For businesses to adapt to the changing risk landscape, it is essential that better technological solutions are adopted. When you consider the advancements in artificial intelligence (AI), robotics and the Internet of Things (IoT) brought about by the fourth industrial revolution, it's clear to see that the business risk landscape is constantly teetering on the precipice of major change. As digital transformation gains momentum and companies move more systems and applications into the cloud, one sees an exponential increase in cyber risk. Companies start getting the basics of cyber security right to protect themselves against this critical business risk. This includes doing regular backups, performing regular security patching, data encryption, anti-virus software, use of firewalls, ensuring proper passwords are used, and developing systems and applications with security in mind.

Adequately managing a company's cyber risks requires close interaction between risk managers, underwriters, insurers, brokers and business owners. Risk management services play an integral role in cyber insurance. Historically one would seek cyber insurance to protect their business against cybercrime, whereas we now see the paradigm shift towards a more preventative approach. Packaging a cyber insurance offering together with risk management services results in a better risk and a well-informed client. Adopting a collaborative approach to drive cyber awareness and channel the correct cyber security behaviour is needed.

Three risks putting hybrid work models in danger

Mikey Molfessis, cybersecurity expert at Mimecast

Roughly 18 months after the first lockdowns were implemented, most organisations are following a hybrid work model that sees employees working from the office some of the time, in between periods of remote work.

Unfortunately, a new picture is emerging. The global cybercrime industry – already experiencing a period of unrestrained growth and expansion thanks to new attack tools and the growing digitisation of our everyday lives – is pouncing on the opportunity to exploit vulnerabilities in hybrid work models.

Hybrid work models offer a plethora of potential attack surfaces, with remote working employees especially vulnerable due to the generally lower levels of protection against cyberattacks on home networks and personal devices.

Based on data gathered by Mimecast researchers, there are a few main risks – internal and external – threatening the defences of South African organisations:

RISK 1: USER BEHAVIOUR

User behaviour plays a major role in strengthening organisational defences and building greater resilience against data breaches. However, employees working in isolation while dealing with the mental impact of a global health crisis are more psychologically vulnerable, increasing the rate of risky user behaviour.

One example is the use of work devices for personal matters: **research conducted** by Mimecast in 2020 found that 74% of respondents from South Africa stated they extensively use their company-issued devices for personal use.

"Organisations across South Africa will need to look beyond their own perimeters to protect customers and partners from attack."

More worryingly, while 94% of South African respondents said they were aware that links found in emails, on social media or within websites can infect their devices, half still admitted to opening emails they thought suspicious.

With some studies estimating that nine of out ten successful data breaches involve human error, organisations should invest in ongoing awareness training to equip end-users with knowledge and skills that can help avoid risky behaviour.

RISK 2:ONLINE BRAND EXPLOITATION

Globally, a sharp rise in brand impersonation attacks is a cause of concern. Mimecast threat intelligence detected a 44% rise in brand impersonation emails directed at Mimecast customers in 2020, reaching an average of 27 million such emails every month.

Top brands were welcome targets of fraudsters and cybercriminals to exploit. According to Mimecast's **State of Brand Protection report,** companies on the *Brandz Top 100 Most Valuable Global Brands 2020* index experienced a massive 381% increase in brand impersonation attacks in May and June 2020 compared to January and February, before the pandemic struck. Thirty-eight percent of South African respondents to the **Mimecast State of Email Security 2021** report saw an increase in brand impersonation via counterfeit websites, and nearly half (47%) had a rise in malicious email spoofing.

Organisations across South Africa will need to look beyond their own perimeters to protect customers and partners from attack. Tools Protocols such as DMARC are essential in protecting their own domains from compromise, but that's only one step in protecting a brand from exploitation.

Machine learning powered web scanning and analysis of key indicators – such as new domain registrations and the issuing of security certificates – could help organisations stop cybercriminals before they can take their impersonation attacks live.

RISK 3:LACK OF DEFENSIVE DEPTH

An over-reliance on boxed security solutions that accompany popular business productivity tools such as Microsoft 365 could be leaving organisations vulnerable to sophisticated attacks. The maths is simple: if data is the new gold, and the majority of companies are on the same cloud platform - such as Microsoft 365 (M365) or Zoom - that platform becomes a veritable 'gold mine' for threat actors.

A defence-in-depth strategy can improve an organisation's overall security posture and mitigate security risks. Such a strategy needs to provide protection and visibility within the organisation, at the email perimeter, and beyond, where the aforementioned brand exploitation and impersonation attacks can wreak havoc on organisations and their supply chains.

The goal of a good defence-in-depth strategy is that, when one defence fails, another steps in to fill the gap. Organisations are taking notice: in a **recent survey conducted in South Africa**, 95% of IT decision-makers said they use third-party solutions to secure their business email platforms against cyberattack.

Without layered security, organisations are left vulnerable to advanced cyberattacks and potential loss of important company information. Additionally, without implementing appropriate and reasonable organisational and technical measures, such as a solid DiD strategy, they may not comply with data protection regulations such as the Protection of Personal Information Act (POPIA).

In fact, the same research found that only two in five organisations believed their business email systems are fully POPIA-compliant.

WFH? 4 ways to keep cyber-criminals at bay

Wynand van Vuuren, head of client experience at King Price

In the past 18 months, we've all become used to working from home. Some of us have even become pros at pretending that we're not really still wearing our PJs in Zoom meetings.

But, for most of us, our online security skills are lacking – and this could expose us and our employers to a range of risks. That's the warning from **King Price Insurance's head of client experience**, **Wynand van Vuuren**, who says the world of WFH has seen a boom in attempted cyber-hacks using remote employees as the entry points into corporate networks.

"The problem is that at home, we often do things that we wouldn't do at the office. We share devices with other family members, or use the same device for both personal and work activities. Cyber-criminals know this, and they're increasingly trying to trick consumers into giving up control of their devices to steal their money or access sensitive company information," said Van Vuuren. So how do we keep ourselves – and our employers safe?

KEEP YOUR CORPORATE ANTI-VIRUS ON AND UP TO DATE

Research shows many WFH employees aren't installing updates which previously would have happened automatically on the company network. The best way to prevent malware from compromising your and your employer's safety is to make sure you're running the latest version of anti-virus and your operating system. "If your employer's IT team asks you to install updates, do it. For your good and theirs," says Van Vuuren.

PAY ATTENTION TO YOUR WI-FI SECURITY

A good way to improve your home office security by protecting your network. There are two main ways to do this: first change your wi-fi password to something other than '12345', or your surname. According to cybersecurity company Mimecast, even devices like smart TVs and home automation systems that are connected to your home network offer a potential entry point for cybercriminals. Then change your router's default password, which is usually something like 'Admin111'. Hackers can easily access your devices through the router. Make it as hard as possible for them.

AS CURIOUS AS YOU ARE, DON'T CLICK ON IT!

One of the most common types of cyberattacks is 'phishing', where emails or encrypted files appear to come from reputable companies – but once you click on a link or open an attachment, you could lose control of your system, and your company could become a victim of a ransomware attack. A global study by Mimecast found that half of South African respondents admitted to opening emails they considered suspicious. Be careful.

REGARD ALL 'URGENT' SECURITY ALERTS, OFFERS OR DEALS AS SUSPICIOUS

If a stranger calls you, claiming to be from your bank, software company or even your IT department, and asks to install software on your PC to protect you – don't. Just don't. "End the phone call immediately and contact your bank or IT department yourself. The moment they install remote access software on your machine, you're in a world of pain," says Van Vuuren.

Industry 4.0 needs to be as risk resilient as possible

Zamani Nrgidi, Cyber Solutions Client Manager at Aon South Africa

The scourge of cyber security and crime that has been escalated over the past decade, received a shot in the arm from COVID. The rapid increase in online spending and the work-from-home environment has exposed many weaknesses for cyber criminals to take advantage of.

As we think about the current economic climate post COVID-19, crime statistics have dropped significantly in more traditional aspects however cybercrime being on the rise, it can be rationalised going forward that the trend will most likely continue as a viable source of revenue for criminal syndicates. Ransomware for hire services will become normalised as things continue, which is somewhat exacerbated by technology such as blockchain and crypto – essentially providing anonymised method of payment.

The insurance market has to be more innovative than the market in a sense, in order to bear the risk of economic activities taking place, and it is becoming increasingly difficult as a result of the intangible nature of the risks that are materialising. Cyber for instance has a far more significant impact on aspects such as supply chain, the recent SolarWinds hack further highlights this. More and more information is being made available but the nature of black swan incidents (e.g. COVID) will have a more devastating impact but organisations must focus on the global data made available to them to reduce impacts from grey swan events.

Companies (both big and small) have to compete in an evolving economic market, which largely means they must bear risks they would typically not be exposed to. The digitalisation of traditional business, in conjunction with the benefits technology provides such as scalability and allowing to access global markets, strengthen the importance to properly articulate these intangible risks, as well as drive spend for better information security within their environment.

Companies by their nature are entrepreneurial – meaning that they are inclined to be optimistic and take risks in order to increase shareholder value and further improve customer experience, so by their nature being risk-averse is not something that comes naturally (except for maybe very well regulated sectors), so it is imperative going forward, as Industry 4.0 develops, to be as risk resilient as possible, in order to have a sustainable business going forward.

When ransomware strikes, can you recover fast enough?

Kate Mollett, Regional Director at Commvault Africa

Ransomware attacks have become increasingly common, and they are even available on the dark Web to purchase as a service.

There have been many incidents in the news, where major companies have been left with little choice other than to pay the ransom to get their data back, often amounting to hundreds of thousands of dollars. The reality is that ransomware and other cyberattacks have become a question of when, not if. The ability to respond and recover quickly has therefore become an essential part of successful ransomware defence, but it is something many organisations, especially in South Africa, struggle with.

CONSIDER SOME STATISTICS

The State of Ransomware report from security firm Sophos reveals that, over the last year, the average cost of remediating a ransomware attack in South Africa was R6.4 million. According to a report by security firm Kaspersky, South Africa ranks third in the world for the highest number of users experiencing targeted ransomware attacks. In addition, from 2019 to 2020 there was an increase of 767% in targeted ransomware attacks. Almost half (42%) of South African ransomware victims paid the fee, but whether they paid or not, only 24% of victims were able to restore all their files, and 11% lost almost all their data.

The cost of a successful ransomware exploit could cripple many businesses in South Africa and paying the ransom just does not guarantee them getting their data back in most cases. Businesses need to be able to quickly recover any data across the environment, across physical servers, virtual machines, and various cloud platforms. They need streamlined recovery operations with actionable alerts and workflows, clean and secure backups to avoid ransomware file reinfections, and the ability to minimise lost revenue and business impact.

A PROACTIVE RESPONSE IS KEY

Responding after a ransomware attack has already infiltrated an environment means that full recovery becomes increasingly unlikely. It is imperative to have proactive measures in place to mitigate the effects of cyberthreats. This includes the continuous monitoring of all data, from the production environment through to backup and honeypot solutions, decoy systems that prevent cyber criminals from encrypting business critical data. When an anomaly is detected, it is important to be able to verify that the backup data is sound, and to delete threats to prevent them from reinfecting environments on recovery. It is also essential to automatically validate backups to ensure that, if they are used for recovery, all relevant data will be restored. Workflows and Application Programming Interface (APIs) around data protection should be orchestrated and automated, including tools such as antivirus scans, to ensure that they are always up, running and protecting data.

This orchestration can also be applied to create custom, relevant alerts, and automated actions to ensure organisations can respond appropriately – for example, automatically powering down a virtual machine should an anomaly be detected. The ability to investigate data breaches and perform eDiscovery is also critical, as it assists organisations to learn from past experiences and improve backup and recovery processes for the future. This is key to gaining insight into data and mitigating threats.

CAN YOU RECOVER IN TIME?

Responding fast to threats is essential, but ultimately, recovery is the end goal. It is essential to have a flexible approach because the anatomy of attacks differs, which means that the order in which data can be recovered needs to adapt on the fly. Built-in high availability is a key characteristic of flexible recovery strategies, allowing organisations to failover to their Disaster Recovery (DR) site fast.

This approach requires that the DR site be protected to ensure it is available, since if it becomes infected, recovery cannot be guaranteed. Using the cloud for DR protection ensures the agility businesses need to recovery quickly. The ability to recover both into and out of the cloud is also important for business continuity. Above all, recovery needs to be simplified to ensure that timeframes are minimised, and organisations can go back to business as usual as fast as possible after a ransomware attack.

INSURTECH

"Artificial Intelligence (AI) is the source that brings together the efficiency of the internet"- **Tavio Roxo, CEO, Owls Software**

Searching for the soul of the industry

OWLS Software

Are we moving away from the traditional insurance concept of risk sharing and will each insured eventually end up paying for their own, precisely quantified risk, leaving many uninsured, or have we always been doing this, albeit in a much less sophisticated way? Has insurance lost its way? Think again.

The **CEO of OWLS™ Software, Tavio Roxo**, gave a thought-provoking account at the InsurTech 2021 virtual conference, discussing whether the insurance industry has lost its soul with its current objectives and ultimately with its long-term goals. Tavio's engagement on this issue began with an intriguing question that attempted to gauge the audience's perspective on where they see the insurance industry in 5 years and if they believe that by then, will robots ultimately be handling insurance and its processes.

This question is pertinent and not only exclusive to the insurance industry but rather to the current era we are living in. Tavio asserts this is on account of how we are currently living in the zettabyte era whereby we have reached the level of creating, replicating, and consuming about 40 zettabytes of data in the year 2020.

If you need to visualise the size of this number it looks like this: **40 000 000 000 000 000 000 000**

These are the staggering facts which highlight the large scale consumption and creation of data across the world today:

- Every minute 300 hundred hours of brand-new content gets uploaded onto YouTube.
- Whatsapp users send about 100 billion messages a day.
- 60 million Instagram photos being uploaded each day.
- 250 million smartphone apps are downloaded daily
- And over 300 billion emails sent and received each workday.

Tavio further highlights how this immense data now brings about the question of storage, how do we store, secure, and use this large-scale data to better enrich our lives and decision-making processes? Tavio successfully highlighted that the discussion on storing large-scale data cannot be understood outside the adoption of cloud-based technologies. Microsoft estimates that today about 81% of all enterprises have a multi-cloud base digital strategy, that 67% of all enterprise infrastructure resides in the cloud and the average person, that's you and me, uses 36 cloud-based services on a daily average. This presents Tavio's argument which asserts that if the internet was the opening act, the second act is no doubt the adoption of cloud-based technologies to store and manage data, but the third act is cloud based computational power. To make use of this computational power in order to process these zettabytes of data, one needs a strong computer, a super computer (which is already being used by tech companies such as Google to analyze data in real time).

Such a computer allows one to quickly decipher trends and predict to a fair level of accuracy what the likely outcome will be based on hundreds, thousands, millions even billions of data points this is exceptionally powerful and necessary for industries that require fair amount of modelling such as space exploration, vehicle manufacture and design, or renewable technologies design and of course insurance. This is pertinent as the industry moves along the path of digitization where it will start collecting and utilizing more and more data points to drive pricing decisions on risk.

Tavio reinforces the assertion that Artificial Intelligence (AI) is the source that brings together the efficiency of the internet, cloud computing and computational magnitude. With all the large data in the cloud, Artificial intelligence is significant because with super computers, it has the necessary processing power required to decipher complicated and large data sets.

AI is the umbrella term used to refer to machine learning, neural networks, deep learning, robotics and computer vision. Tavio focuses on machine learning to show how its algorithms solve problems by being able to learn from the past and predict an outcome in the future based on the learnings from data sets, including actions over time.

A good simple example in the real world today, are the machine learning algorithms that seek to identify and eliminate certain types of emails because they are 'spam' for example. If you, and thousands of others, mark that item as spam, the algorithm, and now the system, understands that email as 'spam'.

In our world of insurance by way of example, when an email from a policy holder hits the underwriter our machine learning algorithm filters it, assigns it to the relevant department and then to the relevant user, and some systems go so far as to predict the exacting nature of the email request and then pre-populate the Policy Administration System with the expected changes straight out of the email (without human intervention).

Artificial Intelligence overall therefore as a concept seeks to take the above behaviour of predicting based on previous outcomes of data sets and expand on it. It artificially creates a new course of behaviour based on an intelligent interpretation of the data set. Tavio further explains that technology providers such as OWLS™.

Software are already thinking about data consolidation and interpretation technologies as well as embedded artificial intelligence, machine learning and prediction technologies into their system, all so that the user can

click the button and get an answer. So, in our above example, AI should then understand that a new email that has been received is automatically identified as spam before it even hits the user. Or in the insurance space, to not have to do the policy servicing request because as the underwriter you already know what the request is and have already actioned it.

Tavio concluded by affirming that insurers are able to better understand risks through this convergence of technology and data. While further explaining that the natural evolution of this is that pricing risk becomes more and more accurate and individualised but that we need to recognise that the evolution is going to occur and we will never be at the final stage of things. Ultimately, it will reward an individual and entity who behaves in accordance with the insurer's expectations and will penalise the individual or entity who doesn't.

Now, the question to ask is this right? Has the industry lost its soul or is it fully intact and just digitally enhanced?

Optimising Embedded Insurance

Click2Sure

AT A GLANCE

- Until now, there has been a distance between the makers and buyers of products large and small.
- Manufacturers sought deeper insights on consumers who bought their products from retailers, but lacked the channel to gather them.
- Embedded insurance creates that channel, while bringing in extra, perpetual revenue.
- Click2Sure's proven embedded insurance software can be launched for manufacturers within a month.

Whether you make baby strollers, sprinkler systems, appliances or bicycles, you face the same challenges: differentiating your brand in an increasingly competitive market, growing your direct relationship with consumers and being retailers' and resellers' top brand to sell. We're here to help you solve them.

How? By helping you bring in consumer insights and revenue from extended warranties or special insurance offered with everything you make. We'll do this by partnering you with one of our 30+ traditional insurance partners, then digitally embedding their policies into the purchase journey of your products, using our proven software platform.

Embedded insurance is a massive growth opportunity which enables retailers and manufacturers whose products they stock, to offer a value-added service to consumers, gather information on consumers and grow a deeper relationship with them.

Picture it: when a customer buys one of your products, they'll be delighted to be offered an extended warranty or additional cover with it - breakage, theft, etc. - in the knowledge that they can use it and enjoy it with total peace of mind. When it comes to high-ticket purchases like racing bikes or scuba gear, that's important to people.

ANY INSURANCE, ANY PRODUCT

It's not just product cover we embed in products. We can help you embed almost any type of insurance into almost any product, from accident cover sold with crash helmets to pet insurance sold with pet toys or health insurance sold with nappies.

Because embedded insurance can be offered to consumers under your brand name (rather than your insurance partner's), they'll also come away with the feeling that you're a customer-centric brand that cares, and will keep an eye out for your future offerings.

If you haven't been offering any kind of insurance with your range before now, keep reading - and if you have, there are two reasons to do the same:

- You don't offer insurance in this way
- Our solution can raise take-up of your insurance offering to 43%

HERE'S THE SECRET: WE MAKE IT SO EASY

The main reasons consumers don't take out extended cover or insurance with purchases are because the offer is not immediately obvious to them, meaning they forget about it; or it looks like too much effort to apply (brands that are still making consumers fill out paper application forms with a pen are doing them a major disservice). This results in what's called the global "protection gap"; billions of Rands in lost policy take-up.

We can place your extended warranty or insurance offer right in front of consumers, the moment they select your product, and make application easy via QR codes or SMS/WhatsApp details on your product, the packaging and/or the customer's till slip.

Because their purchase feels most special to them on the day they buy it, and because taking up cover feels easy and natural using their phone, they will. Here's an example of how the digital journey goes:

HOW DO WE DO IT?

We won't dive deep into the software technicalities, but in essence we provide our clients – brand manufacturers and leading South African retailers - with a comprehensive, cloud-based, digital SaaS platform that enables distribution and management of digital insurance products in a simple and cost-effective way.

Our solution helps brands introduce digital insurance products as a value-added service - without any capex outlay or risks. We simply spend a bit of time embedding our software solution into their existing tech stack, without disruption to their core operations.

How much work would that mean for you? Almost none. The work to do would be on our part, and the insurer's.

IT'S ABOUT MORE THAN MONEY

Sure, you'll generate some revenue from premiums but how often, as a manufacturer, do you get the chance to gain real insights on the people who buy your products at the other end of the retail chain? Once your digital insurance offering goes live, you will start collecting data

"Embedded insurance is a massive growth opportunity which enables retailers and manufacturers whose products they stock, to offer a value-added service to consumers, gather information on consumers and grow a deeper relationship with them."

on all consumers who take it up - who they are, where they are, what they bought, their contact details. All of the consumer data that would normally sit with a retailer or reseller, via on-credit purchases or their own warranty policies, would become yours.

You can imagine the cross-selling or up-selling opportunities this will create. More importantly, you will have a whole new channel devoted to "customer care" communications. This could even impact the products you decide to launch in the future, where and when.

TWO STEPS TO MAKE IT A REALITY

First step: we would need to bring you together with an insurance provider. More than 30 leading insurers have so far assessed and approved our digital embedded insurance solution, so it will be simple to arrange. The insurers we work with can engineer various innovative policies specific to different products or services offered by your brand.

Secondly, as mentioned, we would need to overlay our technology onto your systems so that the facilitation, distribution, administration and reporting of your insurance offering can go to market.

We can get you live in 30 days, and remember: there is no capex outlay, only a set-up fee and monthly subscription fee. So you have everything to gain and nothing to lose.

To start building a direct relationship with consumers and growing a new revenue stream, call +27 (10) 045 4019 or chat to us on hello@click2sure.co.za. If you're an insurer coming to us from the other end of the equation, schedule a demo with us so we can show you how our SaaS will move you to the digital forefront.

A Platform for Boundless Innovation

Guidewire Software

We live in a hyper-digitalized world, where customer and consumer expectations increasingly define the way companies should be doing business with them.

Transparency, Speed and Convenience paired with Simplicity have become the standard because companies like Amazon or Netflix have set new standards in these categories. The same is valid for insurers and their engagement with insurance customers.

This new environment requires the adoption of new, innovative technologies throughout the insurance lifecycle. Insurers need to improve their engagement and the experiences for any stakeholder in the insurance lifecycle, for policyholders, for agents and for their employees to name a few.

At the same time, they need to respond quicker to evolving market conditions and changing customer requirements and be able to adapt and launch new or adjusted products faster.

While these business imperatives are calling for more business agility, IT needs to increase their agility as well. They need to manage total cost of ownership of their software systems, integrations and related upgrades while digitizing every insurance process. IT needs to enable the business through IT innovation driven by embedded digital solutions, advanced data and analytics and AI and integrate sophisticated insurtech solutions to enhance the insurance value chain.

And this is where an approach running insurance core systems in a self-managed mode is heavily challenged to keep up with the necessary pace of innovation. In a self-managed environment, the insurer himself has the burden of non-value-added tasks like managing infrastructure, security, middleware, and upgrades.

Complex upgrade projects and custom configuration lead to slower innovation cycles, longer time-to-market and thus it is harder for an insurer to compete.

Insurers who consider running their core systems in a Software-As-A-Service (SaaS) model gain more agility and flexibility and can focus increasingly on innovation, because all non-value-added tasks mentioned before are being transferred to the responsibility of the service provider hosting and running the software for them.

The question “Make or Buy” changes towards the question “Buy or Subscribe”. This is where we at Guidewire see and define the next wave of digital transformation in the insurance industry where insurance is going to be delivered in a cloud-led model. Guidewire already led the first wave of IT transformation in insurance by providing standard core systems that insurers can trust and replace old and outdated legacy technology.

Now with our cloud-native innovation platform for the insurance industry we are leading the next wave of IT transformation in insurance and enabling boundless and continuous innovation for insurers as they can benefit from new innovative technology and functionality in a much quicker and easier way without having to worry about software upgrade projects or provisioning and maintaining infrastructure.

IT can act as an innovation enabler for the business and the insurer can heavily focus on its core competencies, optimize operational efficiency and improve customer satisfaction.

“IT can act as an innovation enabler for the business and the insurer can heavily focus on its core competencies, optimize operational efficiency and improve customer satisfaction.”

Guidewire InsuranceSuite delivered in a SaaS model via Guidewire Cloud will help insurers to engage with their customers through personalized, omnichannel experiences and empower agents to deliver simplicity and convenience.

Insurers will be able to innovate continuously on a cloud-native platform that will be enhanced at least twice a year. And insurers will have the ability to grow their business by increasing efficiency across their claims and policy lifecycles through higher automation and embedded analytics utilizing modern data and AI.

In summary, a SaaS approach for insurance core systems will enable insurers to innovate continuously, scale their systems in step with their growth ambitions and operate securely with a platform for boundless insurance innovation.

Is bancassurance meeting expectations?

Lee Bromfield, the CEO of FNB Insurance

According to Lee Bromfield, the CEO of FNB Insurance, the answer to this question is a resounding yes.

Though without challenges, he asserts bancassurers have cost advantages, diverse channels, much richer data sources as well trusted brands and customer bases which they continually leverage to improve the lives of clients– more so than most traditional insurers can.

Bancassurers, however, are not immune to some of the challenges observed in the traditional space – they are subject to increased regulatory scrutiny, and penetration is more challenging given the advice entrenchment.

Barring these challenges, bancassurers have still managed to dominate new funeral policy sales in South Africa, making up 58% of total net sales according to the 2021Q1 NMG SA Funeral Distribution Monitor, as well as not compromising on servicing with two bancassurers placing in the Top 3 according to the 2020 Life Insurance SA-CSI results produced by Consulta.

Lee goes on to state that bancassurers are best placed to facilitate and embed holistic money management given the mounds of data they house and access to a client's balance sheet.

"bancassurers are best placed to facilitate and embed holistic money management given the mounds of data they house and access to a client's balance sheet."

To build on the successes bancassurers have observed, Lee honed in on FNB Insurance and how the Pillar has won several accolades for product and claims excellence since its inception – the recent ones being the Celent Model Insurer Award recognising the best insurer in the Innovation Execution Category as well as the BAI Global Innovation award.**In closing, Lee recognised the need for financial education to remove some of the product and process angst that exists in the market and that potentially act as a barrier for inclusion.**

Just how personal can personal insurance really get?

Sumarie Greybe, co-founder at Naked, the artificial intelligence (AI)-driven insurtech company

When most people think of insurance, they think of bureaucracy, unwanted but necessary costs, and being at the mercy of large, faceless insurance companies.

Bringing true personalisation to insurance cover is key to changing how customers perceive and feel about personal, short-term insurance. While the industry has made some positive steps in this direction, it still has a long way to go.

When we set out to create a new type of insurance experience in 2018, the idea of personalisation was at the top of our minds. From our own experience in the industry and discussions with consumers, we realised that getting personal in insurance needs to be about more than customising products to each person's needs – it also needs to be about establishing a human connection.

As such, we believe that there are three pillars to personalise the insurance experience – and customisation is just the start:

1. CUSTOMISATION

Today's consumer has become used to having control over their experiences with brands and to getting messages, services and products that are tailored to their needs and context in real-time. As such, we saw developing an AI-driven platform and slick front-end (the website and app) as the starting point for a more personalised experience for our customers.

Naked customers can get a quote online, play with excesses and other parameters, and choose the option that meets their needs in under 90 seconds. They can also use the app to change or cancel their policy when they wish – giving them control and convenience. We have also built features that allow for dynamic personalisation according to the customer's needs.

A great example of this is CoverPause. This feature lets you pause your accident cover (and pay roughly 50% less on your premium) for the days you are not driving while staying covered for theft, mother nature and insured risks to a parked car. This feature has proven especially popular during the pandemic with people working from home and driving less.

2. GENUINE REGARD FOR THE INDIVIDUAL CONSUMER

Basic personalisation features have become table stakes in most industries, and we can expect the same in insurance. We are focusing on changing the perception in the market that insurance is a pure commodity offered by companies that treat the customer like a number rather than remembering that real humans are using the product.

Indeed, horror stories about insurers using small print and technicalities to avoid paying claims – at the times when people need personal help the most – are a staple of dinner conversations. We realised that the only way we could change this was by addressing the fundamental conflict of interest at the heart of the traditional insurance business model.

Unlike traditional insurers, we charge our customers a flat fee, and donate money left in the pot allocated for claims to causes in our [Naked Difference programme](https://www.naked.insure/difference) at the end of the year. Because Naked doesn't profit from paying less claims, customers know they won't need to fight to get a valid claim paid and they get to enjoy being part of something that makes a difference in the community.

"Bringing true personalisation to insurance cover is key to changing how customers perceive and feel about personal, short-term insurance."

3. EMOTIONAL CONNECTION

Everything we do at Naked is geared towards changing the relationship between consumers and insurance from one of distrust and disengagement towards one of personal connection with the product and brand. By changing our incentives and putting the customer in control, we also change customers' behaviour and incentives.

With the Naked Difference, customers know that it will be social causes rather than an impersonal insurance company that loses out due to fraud, for example. This will make most people, who have felt hard done by in their historical experiences with the insurance industry, pause for thought before overclaiming when their home is robbed.

We aim to build insurance that people love by offering an experience that is affordable, convenient and transparent. Referrals play an important role in building our business – we hope that our customers enjoy our product and want to share their experience with others. To get this right, we need to build such a strong relationship with them that they will be willing to put their own credibility on the line by recommending us to friends and family.

The Bigger Picture

Christiaan Steyn, Head of MiWay Blink

On 27 July 2021, head of MiWay Blink Christiaan Steyn spoke on the topic "The Bigger Picture" at the 2021 Insurtech Conference hosted by COVER.

The first of three speakers within Session 3: Insurtech – Think Again, Christiaan's presentation acted as a reminder to financial services companies not to "bet the farm" when starting out on their digital transformation journey. "**At MiWay Blink**, we have benefited from creating a bit of a sandbox environment in which we have been able to build something new on a small scale that lives alongside the main MiWay Insurance brand.

Because of this low-risk way of experimenting with new technologies, rating methodologies and ways of interacting with clients, we have been able to make adjustments rapidly when they were needed and to feed our success back into the existing business; thereby making the cake bigger," advised Christiaan.

He cautioned companies against losing critical thinking and emphasised the importance of tackling fewer projects well and getting them done right, while never losing sight of the importance of what success looks like: a seamless customer experience. Every digital initiative aims to solve a specific customer need," he said, "so customer centricity should be at the core of both the design and the solution you are aiming to provide. It is important to let their experience lead the process."

Addressing a fear that many of us have of bots replacing humans, Christiaan believes that as the world around us become more and more digitised, the human elements and emotional connection that leaves the customer with a feeling of satisfaction and comfort, will become more and more valuable..

"Every digital initiative aims to solve a specific customer need, so customer centricity should be at the core of both the design and the solution you are aiming to provide. "

In the case of MiWay Blink's emergency alert feature, a customer is left with a feeling of satisfaction and comfort after the trauma of a car accident when a call centre agent phones to find out whether they are okay and what assistance is needed, instead of the customer having to approach the call centre in a shocked state from the side of the road. It changes a transactional and often frustrating conversation into an emotional one."

GENASYS

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Parametric to the rescue

Swiss Re Group

South Africa's insurance industry in 2020 had non-life premiums of approximately R120 billion, equating to about 2.5% of our GDP. We are by no means a small industry, yet insurance penetration in our country remains low.

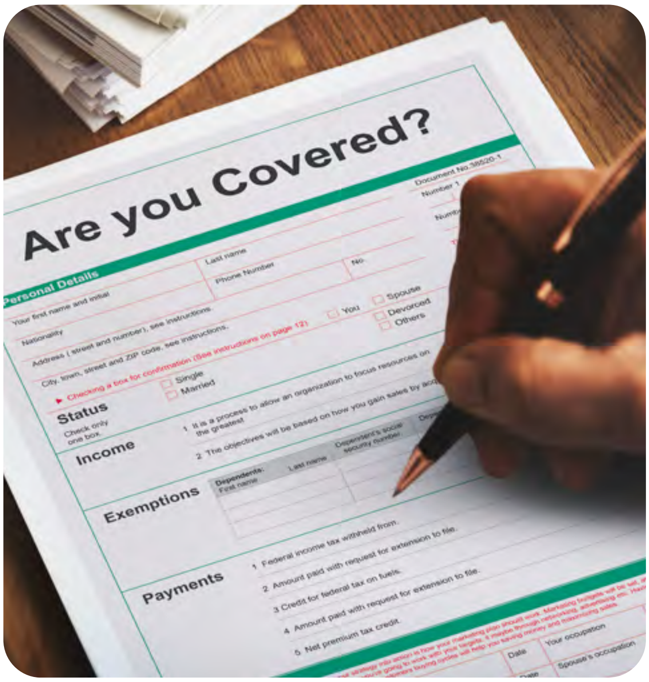
Specifically, when we look at the risk of major natural catastrophes in South Africa, we expect as little as 15% of the economic losses caused by such events to be covered by insurance, leaving almost 85% of the economic losses uninsured.

The natural catastrophe protection gap in South Africa hampers our country's ability to absorb such events. The insurance industry needs to extend insurance coverage to a broader sector of our economy, especially for the events for which we need it most. It is our responsibility as an industry to be innovative and develop products outside of the traditional insurance product range in order to achieve this.

Including the use of parametric insurance products into the scope of our insurance industry offering is a critical consideration in making our country more resilient. Although extensively used in other jurisdictions around the world, parametric insurance is in its infancy in South Africa, and currently, parametrics are considered a non-insurance business under the regulatory regime of South Africa.

"The value of parametric insurance policies, specifically for a market like South Africa, lies in the fact that an independent trigger drives the pay-out to policyholders, mitigating the need for loss assessments. "

Parametric insurance is a type of insurance where the pay-out is triggered by the occurrence of an event, and where the measure of pay-out is calculated according to a pre-agreed approach. For example, an earthquake with a magnitude 7.0 on the Richter scale could trigger a pay-out of fifty percent of the policy's sum insured, whereas an earthquake with a magnitude 8.0 on the Richter scale could trigger a pay-out of eighty percent of the policy's sum insured. Different natural catastrophes require different corresponding triggers to determine the policy response.



The value of parametric insurance policies, specifically for a market like South Africa, lies in the fact that an independent trigger drives the pay-out to policyholders, mitigating the need for loss assessments.

Therefore, products can be offered affordably due to low claims administration costs, and products can also be offered in remote areas, which makes insurance coverage accessible to more people. The policyholders typically also receive much quicker pay-outs than with traditional insurance contracts.

There are challenges associated with the use of parametric products, as there are with any insurance offering. The challenges specific to parametrics can be minimised, firstly, with good data. The increased use of technology in insurance continually improves the quality of data available to us.

Secondly, ensuring that the trigger used in the product closely tracks the actual loss of policyholders will reduce the basis risk associated with a parametric product. Good communication and education around how the product works play a key role in the success of parametric products in any market.

The evolution of insurance pricing

Anton Ossip, CEO at Discovery Insure

In this presentation, Discovery Insure Chief Executive Officer, Anton Ossip, discusses the beginnings of risk prevention, which can be traced as far back as 3000 BC when Chinese sea merchants would split their cargo across several vessels to reduce the risk of loss of good due to perils of the sea.

Over time, this evolved into paying a fee to transfer risk to another party. It is well known that the origins of Lloyd's and indeed the London market all started with the need for ship owners to spread the risk of their dangerous journeys with much of this happening at **Edward Lloyd's Coffee shop** in around 1688.

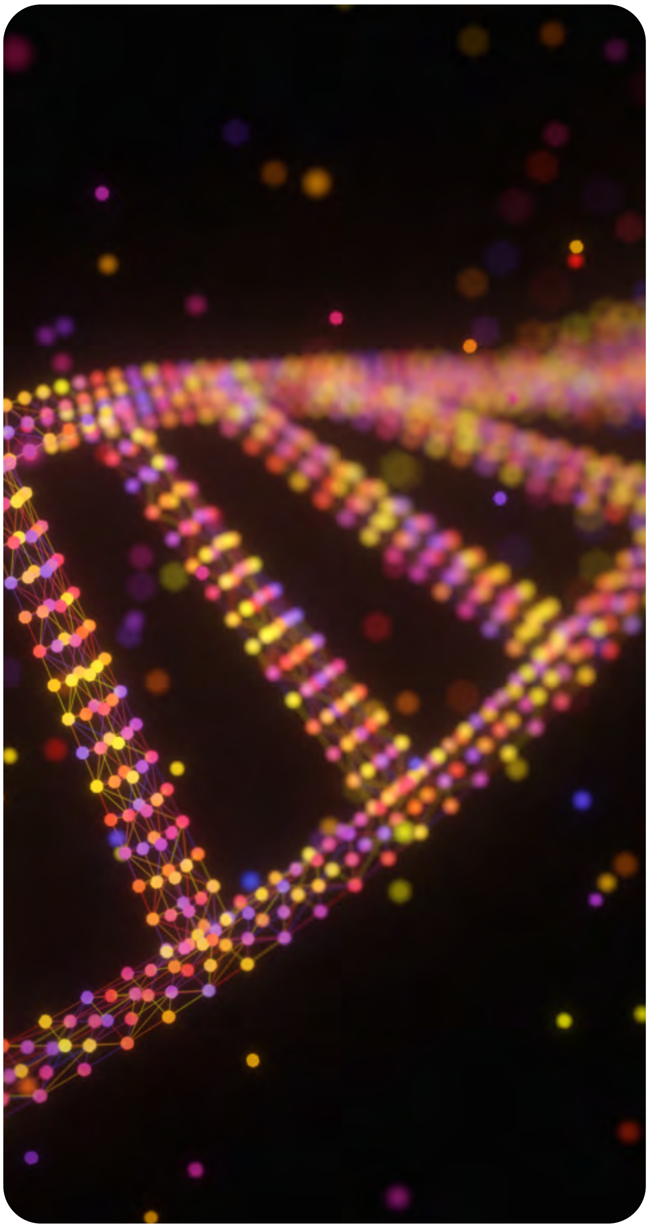
To date traditional pricing models have relied mainly on demographic factors as a proxy for risk, he says. Primary inputs include age, geographic location, claims history and the gender of the policyholder, with some more progressive models allowing for other observable risk factors such as credit history.

Further, retrospective data is used as a key predictor of future claims experience and, hence, setting premium rates. The result of this is cross subsidisation where good drivers overpay for insurance while poor drivers underpay.

Discovery Insure's launch in 2011 was a significant development in introducing fairer and more accurate insurance pricing, says Ossip. This move away from traditional underwriting practices enabled Discovery to monitor how a client drives, such as their braking and speeding patterns; and use this data to more accurately price vehicle accident risk.

Further, driving behaviour, which was previously not directly measurable, could now be incorporated into pricing models, thereby reducing the cost of insurance. Behavioral-based models are applicable to other areas of insurance businesses, he adds, for example, fleet management, and vehicle warranty.

The next step in the evolution of insurance, Ossip adds, is encouraging behaviour change. **Discovery Insure** has shown success in applying a behavioural-based insurance model to the motor insurance industry, through the Shared-value Insurance model. Shared value in the short-term insurance industry is enabled by Vitality Drive, an incentive-based driver behaviour programme that rewards clients for driving well, he adds. Through extensive research,



Discovery Insure has identified that 60% of South Africa's reported fatal accidents are caused by distracted driving, loss of vehicle control and reduced safety of an actual vehicle.

In the future, Ossip posits that the short-term insurance market will adopt the Shared-value Insurance model across the board.

4IR and digital solutions for the financial adviser

1Life Life Insurance

It isn't easy making sense of the current environment. In order to do so, we need consider the impact of digitisation and the pandemic on our financial services industry. Above all, it's important to develop a clear view of where your greatest business opportunities currently lie.

HOW CAN YOU GROW YOUR BUSINESS, CONDUCT IT EASILY AND SIMPLY, BUT ALSO ENSURE THAT YOU AND YOUR CLIENTS REMAIN SAFE?

According to Asisa the current insurance gap is R34.7 trillion. This obviously presents an enormous opportunity for both insurers and financial advisers. But why is this gap so wide? Financial literacy and education, as well as economic conditions play a major role. But, it's also important for our industry to bring new processes and technology to the table that can ensure faster, simpler and easier fulfilment.

It's time to adopt a new way and face the fourth industrial revolution (4IR) head-on. At 1Life, we believe innovation within the 4IR space is very important. Research conducted by Lynne Molloy and Linda Ronnie for a paper presented at the Actuarial Society Convention of South Africa, suggests that the life insurance industry in South Africa is a slow adopter of the 4IR and this is partly because we think robo-advice, when we hear 4IR.

The fact is that 4IR is not about robo-advice, but rather about human-technological collaboration. Creating a definite space for the financial adviser within the 4IR model aimed at an advice-giving perspective. Technological innovation is moving fast and moving beyond the simple digitisation that we are used to from 10 – 20 years ago. This disruption plays out into a number of opportunities for us and for financial advisers. The trick however is to evaluate these opportunities and find the right one for your business.

WE NEED TO CONSIDER THE IMPACT OF DIGITAL SOLUTIONS ON THE INSURANCE BUSINESS MODEL

The old and in some cases current sales process takes 3 – 5 weeks to complete, before you have the client's cover in place. This sales process, as you will know, stretches across a kick-off meeting, FNA, quoting, negotiations, capturing the application, processing the application, then acceptance or underwriting and eventually the client's cover is in place.

It's especially the financial needs analysis (FNA) and underwriting process that can take long and that's why we developed our own digital solution for financial advisers, namely 1Life Vantage, which kick-started our 4IR ecosystem. The solution provides financial advisers with added value, saves on sales time and helps with practise growth.

1LIFE VANTAGE IS ONE OF THE FIRST SOUTH AFRICAN CLOUD-BASED, FULLY INTEGRATED DIGITAL SOLUTIONS

Cloud-based applications need not be a scary proposition for your clients. In fact, we are all already doing our banking through cloud-based applications, so why not also our insurance? Vantage is completely paperless and available on all smart devices. It has real time, straight-through underwriting and processing, with a 97% acceptance rate, all in under 35 minutes. It also supports our entire Life and Wealth product suite.

1Plan, our FNA, is incorporated into Vantage and asks only five questions. 1Plan uses data and the answers to these five questions to come up with an affordable monthly number. No adjusting required. Based on the client's life stage, 1Plan then calculates how much of that affordable monthly number should be spent on risk products and how much on investing.

Vantage also features four unique IFA commission models. Currently, a great concern is commission risk, given the precarious financial position of so many South Africans. Our commission models provide flexibility from both a remuneration and income perspective.

ADAPTING DURING TIMES OF CRISES

There's something to be said about our human ability to adapt. In fact, we believe that agility currently lies at the heart of any business and this in turn links to our philosophy of change is inevitable, but growth is a choice. That's why it took us only 3 days to incorporate the remote acceptance of policies into Vantage. This includes the use of electronic signatures and two-factor verification, through a one-time pin, enabling financial advisers and their clients to conclude business remotely and safely.

We already have a number of financial advisers utilising the solution and we have had some great feedback. So, why not book a demo with us and see for yourself. Simply click here and complete your details and one of our specialised broker consultants will be in contact.

Insurance technology reveals a world of opportunities

Gary Tessendorf , Regional Director for Sub Saharan Africa at Sapiens

Part Two of a discussion with Gary Tessendorf , Regional Director for Sub Saharan Africa at Sapiens.

Tony: Continuing on the topic of modernization, and new build, when you've made a decision to build new, obviously, budget is a big factor. Is it possible to scale, in other words, start small and go bigger, to help you with your budget?

Gary: You have taken the words right out of my mouth. I think large scale transformation programmes are becoming fewer. That's the reality right now where most of the insurance companies out there are looking for business benefits to be realised, as quickly as possible. So with that in mind, what we're seeing is a multitude of the insurance companies reaching out to us for what we call a small scale startup, essentially, greenfields. So, literally taking some of the products ideas, templating and launching a product out to market very quickly, testing it to see the stickiness, the impact on the market, and seeing how the market responds.

What we see is that this is the business case, obviously for further expansion out into the wider range of products. This is an effective way to engage with the market. Everybody is using these words in the last 18 months, MVP, minimum viable product. It is a key strategy from our organisation to engage with wide organisations on that specific premise, to engage on MVP as quickly as possible and to scale out from there.

Tony: Would you be able say what you prefer, or what you think works best, to rather go big or go home?

Gary: It is the proverbial, chicken or egg situation. The reality is that it comes down to the executive sponsor. What I'm seeing is that you get some strong, very astute, very efficient executives that are willing to bite the bullet and make the big decisions and the big call. Whilst they're there, and obviously sponsoring and focusing on the programme and the project, that is the quickest business in that perspective.

You literally have a full data migration where everything is occurring within one very tight timeframe. We see big business impact in this way and literally, the reality is at the end of that cycle, essentially, they're completely modernised again for the future. Now, others are a bit more cautious, a bit more, let's say, low key, let's try something smaller, in more manageable chunks to go into the wider business. Again, it is a pure executive decision. Based on what I've seen, it's a bit of both. It all comes down to executive sponsorship and willingness to actually make the hard calls. What I'm seeing, where we've been engaged recently, is that where you have a decision maker that is ready and willing to make the decisions quickly, supported by the business and obviously not negating the impact on change management, you have the best results.

Tony: And then, when you get to the making of that choice, does the technology skill set, internal in the company that's wanting to make this change, not play any role in this decision as to where you start and which route you go.

Gary: It plays a significant role I mean, the reality of the situation is that the internal insurer skills are just as relevant to our skills. Most of these replatforming exercises, even be it small or large, are focused on a partnership. We're going to be working together towards the end goal, which is to obviously go live to benefit the business, the wider market and the customer base. The reality is that internal insurer skills are a prerequisite for any type of engagement.

Just from a Sapiens perspective, it's what we engage with and actually validate and vet during the process to make sure that we're designing an architecture for future success. It is critical Tony, and a big question in the current market environment. I'm sure we're all aware, obviously that there is, let's not say a skills shortage per se, but let's just say it's not exactly the best time to try and get hold of some of the more qualified skills in the current market.

Tony: Exciting stuff. I'm not in the big insurance corporates anymore but I would have love to be there with all these technology opportunities

Gary: It is amazing, Tony. Every day I wake up and it's actually interesting to see what new things the cloud environment is doing new. The benefits are massive based on what we are seeing out in the wider market. It's a very exciting time to be a vendor in this space.

I think a lot of the International vendors are bringing a very wide range of expertise and experience best practice. The share what is working globally and obviously localising it within the South African market. I strongly believe there is a lot of good news on the horison for the insurance verticals.

From complexity to smooth customer journeys

Wimpie van der Merwe, the CEO of Global Choices

Wimpie van der Merwe, the CEO of Global Choices is a Design Thinking man, especially when it comes to the customer journey and bringing together multiple service providers.

Global Choices provides products and services that rely on collaboration between different people and different companies. **I asked Wimpie to tell us a bit more about how he manages the complexities.**

Wimpie: The whole art of collaboration comes out because the insurance industry has always been very siloed. You've got all these different processes or platforms, or different fulfilment partners such as an admin company, the policy administration platform, the broker, underwriter, or the insurance company. This is my whole approach and Global Choices by default, because that's how I look at things.

We embed that thinking into the company's culture. We use design thinking, always starting with the client, and then working our way back, focusing on the client's journey, their experiences, the convenience factors, to simplify processes etc.

This means there is quite a focus around that client, his world and how he or she will perceive or understand what you're trying to provide to them. We then work that journey back and, as you work back on that journey, you identify different touch points, or the lack thereof. That's how we, as Global Choices, step in to simplify and make it more convenient.

Then again, coming back to design thinking, using empathy as the process to guide us. The ultimate form of empathy, for a company with your products and services, is to be intuitive, to act or react before the client even thinks he will need the product or service.

So this is where using technology comes in. Use your technology, your services and your expertise to just be that one step ahead of the client's journey. That's how Global Choices, over 20 years came to be the company it is. We fill those specific gaps in the customer's risk journey. We are actually just a gap fulfilment company.

Tony: I don't know if you can put a finger to it, but how many companies are in this collaboration network of global choices?

Wimpie: As you go along all those different touch points, you can focus and see what happens around that event. What's the real solution, not the perceived solution or the idea you sometimes reimagine? That's how you then collaborate with different companies to fulfil specific needs.

But, to make it as simple as possible you need to break it down to the client's risk event journey. When Global Choices started out the majority of the business that we provide services to in the insurance industry is very much the 24 Hour Emergency Services, so that's the first touch point.

Normally, in a stressful situation, when you contact that call centre, it depends on the specific risk event that the client is going through, as they need to activate quite a lot of different services solutions or technology to capture information. It is that whole unbundling of what you can do simultaneously to, at that moment, assist the client. That is why there are so many different collaborations behind the scenes, to analyse every risk event.

We have over 20 years' experience, so we have quite a lot of data that has been built up over time to continuously improve on those services. The reimagining and reinvention of existing processes are continuous. So we can never really sit still. The main focus is the end customer, and their journey and, if there are problems or issues that you pick up in a risk event journey, then you have to find solutions for it. That's how the collaboration came about.

Global Choices has three main companies; a 24 hour assistance services; a call centre and then also the Halo platform. The Halo platform was developed by another company I started just over five years ago, called Digital Path. Digital Path focuses very much on the app platforms, the app-less platforms, the self-service, and capturing information for the first notice of loss, the information that needs to go out to parties that have been part of the process.

Then, close to four years ago, I started this joint venture, because I believe that an emergency event will follow onto a claims event and insurance customer journey. That's why we partnered with Claim Central in Australia, because they develop all these digital solutions around the customer's claims experiences. Interestingly, some of that technology like the Livegenic, we actually now

use in our 24 hour call centre, because that's live video streaming from the scene of the motor car accident or the home emergency. The visual information you gather there can then be shared with the responding unit. However, it also becomes information that is part of the first notice of loss and claims process resolution. That is how we look at it.

We integrate all these different dimensions of technology, services, products and solutions in and around that journey. That is why collaboration is very important. Because the whole focus is on what the objective is and to create a clear and compelling cause for a solution.

It never stops, it is continuous. We always have to be curious about what we can do better, even if it is sometimes just something small that you tweak. You always have to go revisit it and reinvent certain processes.

Tony: On a softer side, at the end of the day, when you're dealing in your collaboration, in your new network, besides the client, you are still dealing with people that you are working with and integrating with. How do you get those relationships to harmoniously run together in collaboration?

Wimpie: Over time you build up relationships with all the different parties and service providers, etc. But as I mentioned earlier, you have to create a clear, compelling objective; what would you like to achieve and what are your expectations? It is almost a little bit like storytelling. You take the customers through that journey for all the parties, so that they can understand what role they are playing and in what specific part of the story. Then it is to establish goals. It is always to leverage the collaboration's strength because everybody has a strength.

Yes, we all have our weaknesses as well, but when you go through the collaboration process, you actually find solutions for those weaknesses that you pick up. Through this you introduce or encourage innovation through that process.

Then there's also faster cohesion between all the different parties, because they learn quite a lot from each other. Sometimes, they never knew that they were actually sitting on a different type of resource, even if it's a product, service or digital solution that can be used in a different way.

That is what I encourage. That is my purpose. Go and look at what you have because, sometimes, you are sitting on a pot of gold, and don't even know it because you are too focused on one specific solution.

You will then be providing better solutions as well. I discovered this now with Claim Central, over these last four years, as I'm analysing and investigating their services.

Lastly, it is important, as one of the main objectives, to honour your promises. That is how you build trust and also make it quite clear that the objectives are reached and measurable.

GENERAL

"It's been proven time and again: diversified businesses do better."

- Enid Lizamore, executive head of HR at Santam

Overcoming the 'Shecession' in the financial services sector

Enid Lizamore, executive head of HR at Santam

It's been proven time and again: diversified businesses do better. McKinsey's 2020 diversity report shows there is a robust relationship between diversity at an executive level and the likelihood of financial outperformance. There is no doubt that women make an outstanding contribution to the financial services sector.

However, global trends indicate the industry's transformation is slow. There remains too few women within top management, and signs of a **worrying gender pay-gap** are evident. While research may be slim in South Africa, I believe it is safe to speculate that we are aligned with world-wide trends.

Currently there are conflicting reports on how women are faring in the workplace at large. PwC's **Women in Work** report suggests a 'shecession', with progress for women in work predicted to reflect 2017 levels by the end of 2021 – proposing an evident regression in the opportunities for women within the corporate world. This may be attributed to the unequal burden of care that women are carrying during the COVID-19 pandemic.

Nonetheless, a **2021 Grant Thornton Women in Business Report** paints a more hopeful picture. For the first time ever – in 2021 – a third of all senior management positions worldwide are likely to be held by women, and 9 in 10 businesses globally have at least one woman within their senior management teams. We are making progress to parity, but there remains much more to be done. We require individual businesses to take ownership, recognise the benefits of diversity and inclusion to the balance-book and governance KPIs, and drive meaningful transformation that is beyond a tick-box exercise.

I am certain that women embody countless innate abilities that are pivotal in fostering good leadership – creativity, managing multiple competing priorities, resilience, and perseverance, to name a few. In our industry particularly, it is essential that we iteratively innovate to pre-empt our clients' needs and wants.

This requires a combined approach of empathy, strategic agility, and data immersion. It requires the ability to dream, to predict different scenarios and to constantly be building the foundations of an equitable and empowered future for the women of South Africa. I have seen first-hand how women can lead in this, through the example of Santam's own CEO, and my manager, Lizé Lambrechts.

THE CHALLENGES WOMEN FACE IN THE FINANCIAL SERVICES SECTOR

Women are currently facing an array of challenges. The financial services sector has always been a tough environment with demanding customers – and rightly so, as money is often accompanied by justified demands. The pandemic has accelerated new ways of working which introduces a plethora of additional challenges and opportunities. Greater acceptance of remote working may mean more contractual opportunities for women who thrive on flexibility in order to flourish. While the above remains true, successive lockdowns have undoubtedly introduced an additional strain on our women. Women are now carrying a greater burden of care. With some schools only physically operational intermittently, many mothers are juggling kids at home as well as full-time jobs. Additionally, many households also have their parents and extended families to care for, as the full financial implications of the pandemic continue to unfold. As a mother to two wonderful children, I can testify that my journey over the last year has not been easy.

LEVELLING THE PLAYING FIELD FOR WOMEN

A starting point in attaining empowerment for women within the financial services industry would be to introduce global initiatives that ensure men and women in the same role, with equal years of experience – earn the same salary. Thereafter, we need to move to an output-not-hours based performance system, where we measure our people based on productivity and their quality of work, and not the consecutive hours that they put in. Flexibility is essential!

The ideal would be to continue to offer our employees flexibility around remote working, even when it is safe to return to offices. Additionally, we need to ensure adequate paternity leave, in order to allow for a balance in duty of care. A crucial part of building this new world of work, is a collective emphasis on holistic wellness and mental wellbeing. It goes without saying – businesses need a balance – but if we want to retain top talent, we must create cultures that people want to be part of.

"A starting point in attaining empowerment for women within the financial services industry would be to introduce global initiatives that ensure men and women in the same role, with equal years of experience – earn the same salary."

At Santam, these are some of the things we prioritise as part of our Employee Value Proposition (EVP). We are equally focused on ensuring that each employee has a growth path mapped out, and that mentorship and career coaching opportunities are readily available. For me, it is also about recognising that people perform better when they are able to adequately balance their personal and professional lives.

In addition to my role as Executive Head of HR at Santam, I manage two businesses, and serve on the boards for MiWay and Brolink. Above all - I am a mother, and I truly value the flexibility that Santam allows me in performing each of these roles to the best of my ability.

I am a firm believer that people create opportunities for themselves, but I also recognise the importance of community, and our responsibility to lift others as we rise. I am the product of amazing people throughout my career, and I have been fortunate to work with individuals who recognised my hard work and took a risk on me.

I particularly admire women who create space for other women to succeed, be it through mentoring or coaching. Creating a strong network of support and receiving help and advice from individuals whom we admire, is often critical to equipping us with the confidence required in striving for our goals. To create a diverse succession

pipeline, leaders at the top need to invest in junior to mid-level managers. This cannot be once-off, it must be ongoing. We also need to find ways to support women who are 'go-getters' - who start their own financial services ventures, be it through peer support and/or access to capital. SMEs are so important to this country. We need to do everything we can to support our entrepreneurs.

As women, we also need to learn to compartmentalise – a skill our male counterparts seem to have mastered. When we are doing something, we need to try to be fully present, this is the only way to stay on top of things. We need to set boundaries. We need time for serenity and self. I always try and ensure that my mornings include a run, time with the kids and a good cup of tea. These moments are priceless.

A FINAL WORD

It is critical that we make financial services inclusive to all women, by reaching people in the right ways at the right time - with affordable and relevant products. We must help women protect and grow their capital. At Santam, we are proud that our insurance offerings help to safeguard people's assets and livelihoods. We help individuals to rebuild when curveballs come along – which, sadly, they inevitably do. We need to bridge the insurance gap and help more women to protect what they're building – from their businesses to their homes.

Ultimately, women hold an enormous amount of economic power and potential. The financial services sector can play a pivotal part in unleashing this – to the benefit of our country and all its stakeholders. By employing more women in the financial services sector across all levels of seniority, we can reach more women clients, and the virtuous circle starts to perpetuate.

Santam is an authorised financial services provider (licence number 3416)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Data Privacy

Wesley Davids, Executive: Governance at PPS Investments

Over the years, data privacy and protecting personal information has become increasingly important, both from a business and client perspective.

The Protection of Personal Information Act 4 of 2013 (POPI) was gazetted in South Africa in 2014 with the intention to protect your data privacy rights as well as your personal information. The Act gives effect to section 14 of the Constitution of South Africa, which provides that everyone has the right to privacy. Since 2014, the Act has been implemented in a phased-in approach and from 1 July 2021, the Act came into full effect. Let's unpack what the legislation covers, as well as your rights, roles and responsibilities as an investor.

1. WHAT IS COVERED IN THE PROTECTION OF PERSONAL INFORMATION ACT?

The purpose is to protect the personal information of all South African citizens, which is obtained and processed by both public and private institutions, such as PPS Investments. It also attempts to balance the right to privacy, with other rights, such as access to information.

2. WHAT IS CLASSIFIED AS "PERSONAL INFORMATION"?

The Act defines it as any information that relates to an identifiable natural and legal entity (i.e. a data subject) and includes, among others, an identity or registration number, email address, phone number, marital status, biometrics, employment history, banking information, health-related information, and data related to their economic status, personal views and private correspondence.

3. WHO ARE THE "DATA SUBJECTS"?

Data subjects are defined as any natural or juristic persons whose personal information is processed by a responsible party, (i.e. PPS Investments and its trading subsidiaries and affiliates).

4. WHAT FORMS PART OF "PROCESSING OF PERSONAL INFORMATION"?

This involves any action that is taken with a data subject's personal information. It includes, among other things, the collection, use, storage, dissemination, modification or destruction of personal information by a responsible party or someone acting on behalf of a responsible party.

5. TO WHOM DOES THE ACT APPLY?

The Act is applicable to any person, business or entity that processes personal information of a data subject, and are collectively referred to as "responsible parties". It also applies to, for example, financial service providers, discretionary investment managers, asset managers, retirement funds, life insurance companies, unit trust management companies, administrative financial service providers (collectively referred to in terms of the Act as responsible parties) and any person who processes information for, and on behalf of a responsible party, referred to as an "operator".

Responsible parties, and anyone processing personal information, will have to align their business process and activities to ensure that it complies with the processing obligations of the Act. Therefore, it is imperative that the processing of personal information is done in a lawful, reasonable and justifiable manner taking into consideration the data subject's rights, as well as the right to protect information.

6. WHAT ARE RESPONSIBLE PARTIES' OBLIGATIONS TO CLIENTS?

The Act places many obligations on responsible parties to ensure that personal information held and processed on behalf of data subjects is processed in a lawful and reasonable manner. As a responsible party, PPS Investments is committed to ensuring continued compliance with the Act and has therefore implemented, among other measures, the following:

- We shall only collect and process a client's personal information for a specific and lawful purpose (i.e. providing financial services to clients in respect of their financial products held with PPS Group);
- We will ensure that client records are relevant and up to date as far as reasonably possible and shall inform clients of the ability to update records;
- We have, and will continue to ensure that there are, reasonable security measures in place to protect clients' personal information and retain client records as required by law;
- We will allow clients to obtain and view their personal information on request and will allow clients to request the deletion of any information not required to be kept by PPS Group; and
- We have adopted a Privacy Standard which sets out client rights which they may exercise in respect of their personal information and the manner and process in which such rights may be exercised.

7. WHAT ARE THE "DATA SUBJECT" RIGHTS PROVIDED BY THE ACT?

As a data subject, you have the following rights, inter alia:

- To be **informed** if your personal information is being collected by someone or is accessed by an unauthorised source;
- To request **access** to a copy of the personal information held on you;
- To request **correction** of any personal information which might be outdated, misleading, incomplete, irrelevant, inaccurate, and/or obtained unlawfully;
- To object to the **processing** of your personal information, on reasonable grounds;
- To object to the **processing** of your personal information for **purposes of direct marketing** by means of unsolicited electronic communications; and
- To submit a **complaint** to the PPS Investments Group Information Officer regarding an alleged infringement of any of the rights protected under POPI or to submit such complaint to the Information Regulator.

8. YOUR MARKETING PREFERENCES

The Act requires responsible parties to provide their clients with the ability to select their marketing communication preferences. Therefore, PPS Investments will provide you with regular opportunities to select your marketing preferences by either opting-in or opting-out of certain marketing communications. Note that this does not include transactional communication related to your investments with us.

9. COMMITTED TO PROTECTING PERSONAL INFORMATION

The security of our client and member data remains a foremost priority. You have our assurance that we're committed to continuing to protect all our clients' personal information by employing the necessary processes and systems to ensure our client information is protected.

The responsibility lies with you to ensure that we have the correct personal information and to notify us when updates are required. For your convenience, you can view and update your personal details on the PPS Investments Secure Site at **www.ppsisecure.co.za**.

The veracity of data in the insurance industry

Tanus Bot, Actuarial Analyst – Team Leader, Oak Tree

As an analyst who helps clients prepare their data for reinsurance support, I have seen my fair share of inaccurate and un-useable data. The implications of this in the insurance industry run from the man on the street who needs risk protection to the reinsurers covering the mostly small chance of a catastrophe occurring on this person's policy.

From the perspective of a reinsurance broker, the data ultimately has an impact on the price of your reinsurance treaty. Whilst I don't believe data is being willfully corrupted for financial gain, I think there can sometimes be some negligence from the data capturers as they may not understand the use case. One example of this being location-based data. Insurers generally don't hold their catastrophe risk, which is why location-based statistics is not a huge concern to insurers but is essential to reinsurers. Having accurate location based statistics can allow an insurer to manage any accumulation on their risks whether that be through risk management or policy wording. Another example being, exposure statistics, particularly on large multi-national chains and un-named locations. They will be sold on their largest exposure site and the rest of the exposure is taken to be null. This can obviously lead to accumulations.

"One of the problems the insurance industry is facing at the moment is the sheer diversity of data among the different providers. "

Why should insurers care about accumulation? When insurance products are priced, they are priced on the basis of the risks being independent. This allows us to use branches of statistics which we would not have been able to use otherwise. Risks sharing locations or being in the same area may be subject to the same perils and so would not be independent which would invalidate some of the assumptions analytics people have to make. One of the problems the insurance industry is facing at the moment is the sheer diversity of data among the different providers. If you've ever coded a program you would understand the phrase,

"garbage in, garbage out". This generally refers to the validity of the conclusions we are able to draw based on the quality of the data being used. Coding allows users to standardise procedures around analysis so that you can reduce work load and apply the same program to different scenarios. As you can imagine, this can be difficult if all the data you are using in the different scenarios (different clients) is reported differently, has a different layout and has different reporting requirements. It ends up being easier to treat each client on a case by case basis.

Let's say for instance the accuracy of data is about 70% on a retail level over a whole portfolio (between clients filling out forms, brokers recording information and insurers keeping track of it all). Now say we (the reinsurance broker) are only able to collect/ accurately represent 70% of our client's data. This would mean only 51% of the data is complete and accurate. You can imagine the impact of this on an insurers treaty and so the importance of cleaning /verifying data. We like to work together with our clients to fight back against bad data and help accurately represent their business in the reinsurance market space! A humble reinsurance brokerage doing their part in the huge value chain that is the insurance industry.

New Deputy Ombudsman for Long-Term Insurance

The Ombudsman for Long-term Insurance

Our Ombudsman for Long-term Insurance Council, has appointed Denise Gabriels as the Deputy Ombudsman under Ombudsman Judge Ron McLaren, with effect from 1 August 2021.

Gabriels who has spent many years as a customer-centric legal professional in the life insurance and pension funds industries, has worked as an adjudicator at OLTI since April 2018. Prior to that she was employed at Old Mutual as a Senior Legal Adviser and manager.

Gabriels has demonstrated legal and business acumen; and skills in leadership, relationship building, mentoring, communication and decision-making. She has a BA (Soc Sc), LLB and MBA as well as post-graduate diplomas in Legal Practice and in Financial Planning. Gabriels will take over as the new Deputy Ombudsman from incumbent Jennifer Preiss who is retiring. The Office of OLTI congratulates Gabriels on her appointment and is confident that she will excel in her new position.

Hollard stalwart Rafick Omar loved people and they loved him right back

Hollard Insure (and its broker community) has been rocked by the recent passing of company veteran Rafick Omar, a beloved figure who left indelible impressions of warmth and humanity on all those he met.

Rafick, who was Insure's head of non-binder brokers in Johannesburg, passed away on 28 July 2021 following a short illness. A Hollardite for 29 years, he joined Federated Insurance in 1981 and worked for Fedgen, Fedsure General, Hollard Commercial & General, Etana and eventually Hollard Insure. (Hollard runs in the family, too; his brother Nash is the managing director of broker markets for Hollard Insure.) Tributes for Rafick have flooded in, with many remarking on the respect he showed others – and which he commanded – as well as his friendliness and easy smile, his caring and support for others, his gentlemanliness, his love of lunching and golf, and his irrepressible sense of fun. And everyone had their nickname for him. Rafick had been a lifelong friend to Abdul Ebrahim, Hollard Insure's general manager for Gauteng. They grew up together, went to school together and worked together.

"Rafick was a very special person with a great personality, and was loved by all. Once he got into your life, it was very difficult to forget those special moments he created. He was a person who was larger than life, well respected at Hollard and in the insurance industry not only for his charisma, but more importantly for his insurance skills and knowledge. He was a legend in the industry. "Having him around was always fun. He made light of many difficult situations, which filled our lives with laughter and fun. Lunches, golf, meetings and travelling will not be the same," says Abdul. "With all the special memories that we were blessed with, he will never be forgotten. Long may your memory live on, Rafs, and may you RIP!"

"Raffles, I want to thank you for teaching me how to love. You loved everyone from deep within your soul. Regardless of race, religion or status, you taught me how it is possible to truly love your fellow man," states Michael Nicolaou, head of binder brokers at Hollard Insure's Johannesburg branch.

"You made your moments count and you could always be counted on. You never missed an opportunity to remind us all of our humanity and you always treated people with care and dignity, never forgetting to be compassionate to their situations.

"There are far too many memories to list, but what I can say is that you truly left a positive mark on everyone's life. I will miss our lunches at Soul Souvlaki, and the enthusiasm that you approached everything with. I'll see you down the road, my friend, with a cold Fix and a meze platter for two, in sha'Allah (God willing)."

"I owe part of who I am and my success today to you, Rafs, and wish I could just thank you for being you!" says JP le Roux, team leader: broker consultant at Hollard Insure in Johannesburg, describing Rafick as a "sterling, sterling person" who had lived life to the fullest.

"If ever I wanted a supporter in my corner, Rafs, you were there – one of my biggest supporters, always spurring me on to be the best version of myself. A true humanitarian with a heart of gold, truly put on Earth to serve people, you would have given the last piece of your clothing on your back for your compatriot!" JP adds that "in between, you always had a naughty side to you and always liked to be the centre of attention, and people were just naturally attracted to your charisma."

Both JP and Anton Lategan, assurance specialist at Hollard Insure, note Rafick's love of golf, a game he had latterly taken up. Anton, who first worked with Rafick at Fedgen in 1996, remarks that he "was no master of the game but thoroughly enjoyed it and was so willing to learn", and recalls the first time they played a round together.

"He had one of my old drivers in his bag, but was reluctant to use it as he did not always have the courage to take a swing with it. He just loved the beautiful black and bright green colours, and was looking forward to the day he could hit a decent shot with it in my presence. I was also looking forward to such a day," says Anton.

Anton was also struck by Rafick's courtesy: "Although never expected of him, we mostly chatted in Afrikaans; he just wanted to do it that way … the friendly, considerate, gentleman Raffles way! I will miss the legendary Raffles and so will his loved ones, friends and colleagues – rest in peace, my friend!"

"Raffs was the ultimate BC – broker consultant – he excelled in so many different ways," says Paolo Cavalieri, chairman of iTOO Special Risks. "A gentleman, proud of the role he played, conscious of his status as a senior statesman in our business, he carried it well. Loved by the ladies, always correct, and respected by all in our industry. "From his impeccable dress sense, cufflinks included, to those sharp eyes and warm smile, Raffs would always light up the room."

Paolo remarks further that "Raffs had been around the block many a time; his experience, expertise and manner made him a winner. Nothing was ever too much for him, a family man to all who were close to him. We are grateful for the time together, but much poorer and sad for this loss that has come so very prematurely." He adds as a footnote: "And he supported Manchester United."

Selven Govender, executive head; consumer & commercial at Marsh, comments on Rafick's ability to combine the professional and personal, saying: "Rafick, affectionately known as Raffles or Rafs, was more of a friend than a colleague. I knew Rafs for over 20 years and his work ethic was unparalleled, but it was his bubbly personality that he was well known for.

"Rafs had an infectious smile that would light up a room, and he always seemed to be in a good mood. He was always the life of any party and people were always drawn to him. He was one of the few people who was able to balance effective work relationships with very strong friendships. I will miss his witty humour, infectious smile and sincere demeanour. Rest well, my friend!"

"rest in peace, my dear Raffie, and rise in glory until we meet again. My love for you will also remain timeless and evergreen."

Econorisk account executive Priscilla Ross, who wishes that Rafick's ability to make people feel special could be bottled, wrote a moving tribute to him on her Facebook page: "I am heartbroken and will miss you always. A true friend for most of my adult life. Generous to a fault, with a wicked sense of humour. I pray that there are golf courses in heaven as I know you still had many games to play."

In tribute to Rafick, Nash comments on the love others have expressed for his brother – and the pain of his loss. "It is truly so heart-warming to listen to so many of our friends and colleagues talk about Rafick with so much of love and affection, and the unique relationship he shared with each one of us.

"As an older brother, it was a privilege to have spent our lives together, and worked together for almost 30 years. Rafick's passing has left such a void in my life; I feel so empty and filled with such sadness," says Nash.

"Having you as a brother was a phenomenal privilege and honour that I shall forever be grateful for. We were to each other the best of friends all our lives, and now you'll go on living in my heart. The sweetest thing that God has done for me was making you my brother.

"So rest in peace, my dear Raffie, and rise in glory until we meet again. My love for you will also remain timeless and evergreen."**Rafick Omar is survived by his wife Tasneem, and children Sherbanu and Goolam Mustafa, as well as his brother Nash and their siblings and families**


Hi Hun
Today was great, we had
tomato soup for breakfast.
Maybe not the best idea!
But we're all good, get
better soon.

Making Engineering cover accessible

Justin Faure, Baron of Builders, King Price Engineering

We talk to Justin Faure, Baron of Builders, King Price Engineering about the direct insurer's venture into the engineering underwriting world.

COVER: Let's start off by discussing King Price and brokers. Most people know King Price as a direct insurer. Where do you fit in?

Justin: When we started 9 years ago, we launched into the direct space. However, since then, we've built a thriving book in the commercial space, where we insure business, community, agri and engineering risks. Engineering is a very specialised field, and the associated risks are unlike those found in other industries. Because specialised brokers are equipped to handle the type of cover required by an engineering business, we offer cover to suit their clients' unique needs.

We don't see brokers as just a link between us and our clients, we see them as our partners. We're in this together because our main goal is to ensure our commercial and engineering clients are adequately covered. When it comes to brokers, we not only focus on providing the back-up and value they need, but we also work to build relationships that go far beyond numbers. We partner with brokers to give them, and their clients, the very best service possible. Through our supporting insurance brokers, we're seeing substantial growth in our commercial and engineering books. We've targeted broker business as a key growth segment as we look to continue our exponential rise in the local market.

COVER: Why Engineering Insurance?

Justin: Businesses and industries are becoming more proactive when it comes to managing risks of all shapes and sizes, particularly in the construction and engineering sectors. History has been a cruel teacher, doling out some harsh risk management lessons to these business owners. As a result, the demand for flexible and comprehensive insurance grew. When covered by the king, brokers can offer their client the opportunity to choose the cover they want which means they don't ever have to pay for cover they don't need.

In an effort to create opportunities in the construction industry, South Africa has announced a refocus on infrastructure expenditure to stimulate the economy. This shift in the industry is expected to record a compound annual growth rate of 13.2% forecasted to reach R2.86 billion by 2024. With these kind of projections, our ability to offer flexibility provides essential support for the country's development goals. We're proud to offer an affordable product that protects engineering businesses against risks encountered during contract implementation and execution, as well as associated liabilities.

COVER: What underwriting skills do you have available to assist brokers?

Justin: Between our dedicated engineering team members, we've got more than 50 years of insurance experience specialising in the engineering and construction sectors. That's an abundance of knowledge that brokers and their clients can tap into. The combination of this experience delivers in-depth knowledge matched with impeccable support and guidance. Our 15% shareholding by Germany-based global reinsurance giant Munich RE gives us the financial leverage to write bigger risks in the commercial space and give the market peace of mind that we'll be able to pay any potential claims. We're constantly aiming to offer the very best underwriting solutions with unrivalled personal service to brokers and their clients so that we're their first choice.

COVER: Where do you see the opportunities for brokers and King Price?

Justin: We know that there's no 1-size-fits all solution when it comes to managing engineering risks. As we continue to expand our reach and product, brokers will be able to tap into and benefit from our great offerings, royally good service, and seriously affordable prices. This will offer brokers the opportunity to increase their own market share in the engineering space. As we grow and increase our offerings, our broker partners will be able to do the same. **We make it our business to get know our broker partners, their clients and their clients' businesses, so that they can rely on us for exceptional personal service and successful partnerships.**